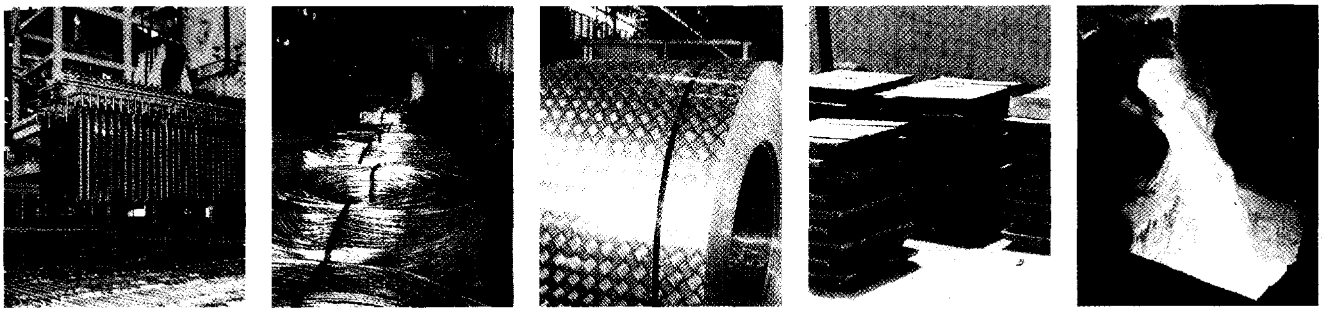
vedanta



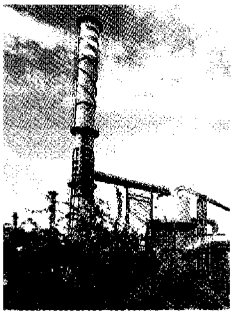
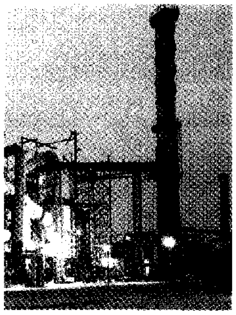
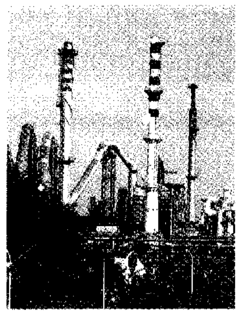
Diversified metals and mining

# Resources for the modern world



STERLITE
INDUSTRIES (INDIA) LIMITED

Annual Report 2003-2004


# Group Structure (as at 31 March, 2004)

vedanta
Resources plc

60.1% — Sterlite Industries (India) Ltd. (Copper Business)

80% — Madras Aluminium Company Ltd. (Aluminium Business)

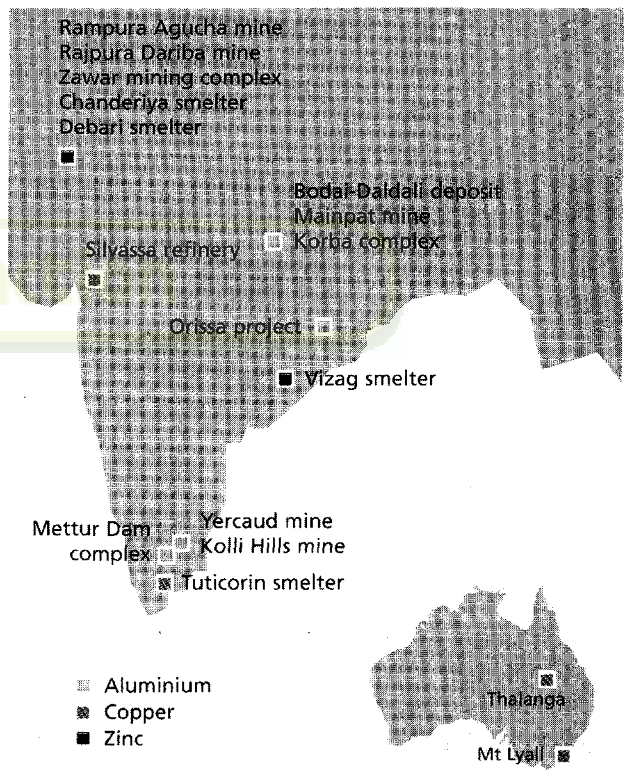
7.1% — Madras Aluminium Company Ltd. → Sterlite Industries (India) Ltd.

100% — Vedanta Alumina Ltd. (Alumina Business)

64.9% — Hindustan Zinc Ltd. (Zinc Business)

51% — Bharat Aluminium Company Ltd. (Aluminium Business)

## World Class Assets




## Growth pipeline

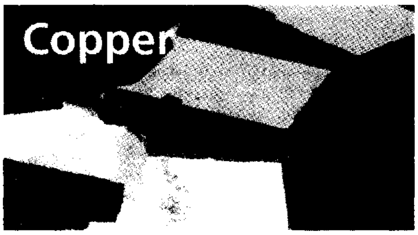
- Copper
- Aluminium
- Zinc

Tuticorin copper smelter, refinery and power plant. New production: 120,000 tpa to take total production to 300,000 tpa. Includes new 22.5 MW power plant. Capex Rs. 3995 million

Project commissioning — 2004 — 2005

Rampura Agucha zinc mine
New production : 1.3 million tpa ore to take total mined production to 5.5 million tpa.
Capex : Rs. 4133 million

Chanderiya zinc smelter
New production : 170,000 tpa zinc to take total zinc capacity to 380,000 tpa. Includes a 154 MW power plant. Capex : Rs. 15383 million




Gross Turnover*
Rs. 48,720 million
EBITDA*
Rs. 4,213 million
Employees
1,097

Operating Company

Sterlite

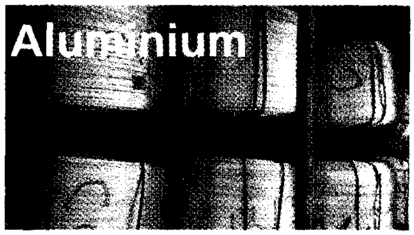
Main Activities

Sterlite's copper operations include a smelter at Tuticorin in southern India, a refinery and two copper rod plants at Silvassa in western India and two mines in Australia. Sterlite has a domestic market share of approximately 42% of copper sales in 2004. Sterlite's Tuticorin smelter, commissioned in 1997, was the first privately developed copper smelter in India.

The smelter and refinery each have an installed capacity of 180,000 tpa from which Sterlite produced approximately 179,000 tonnes of copper cathode and approximately 123,000 tonnes of copper rod in the year ended 31st March, 2004.

Sterlite's Australian copper mines currently supply approximately 22% of Sterlite's copper concentrate requirements.

*includes aluminium conductor division*




Gross Turnover
Rs. 10,064 million
EBITDA
Rs. 1,959 million
Employees
4,262

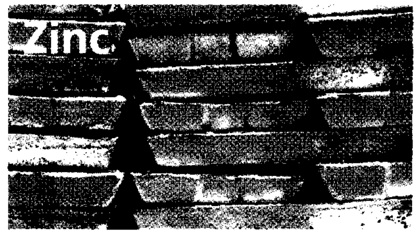
Subsidiary Company

BALCO

Main Activities

BALCO is a fully integrated aluminium producer. In 2004, the Indian market share was approximately 16% of aluminium sales.

BALCO's aluminium operations comprise a bauxite mine and the Korba alumina refining and aluminium smelting complex, which includes a captive power plant and fabrication facility all of which are located in the State of Chattisgarh in central India. The Korba complex has an installed capacity of approximately 200,000 tpa of alumina and approximately 100,000 tpa of aluminium.




Gross Turnover
Rs. 20,790 million
EBITDA
Rs. 8,681 million
Employees
6,055

Subsidiary Company

HZL

Main Activities

HZL is India's only integrated zinc producer and had a domestic market share of 75% of zinc sales in 2004.

The zinc mines contain high quantities of lead which is produced in association with the zinc. HZL's operations include three zinc-lead mining complexes, one zinc-lead smelter and one zinc smelter in the State of Rajasthan in north-west India, and one zinc smelter in the State of Andhra Pradesh in south-east India.

HZL's three zinc-lead mining complexes have a total capacity of 4.2 million tpa. The three smelters have a combined capacity to produce approximately 210,000 tpa of zinc ingots and 34,000 tpa of lead ingots. HZL's mines supply all of its concentrate requirements. In 2004 the production of finished zinc was 221,000 tonnes.

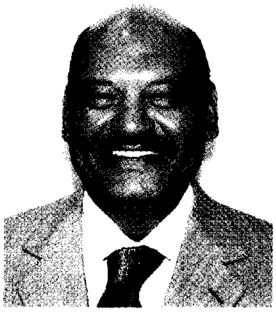
Korba power plant
New production: 540MW
Capex: Rs. 16,072 million

Korba aluminium smelter
New production : 250,000 tpa to take total aluminium capacity to 385,000 tpa. Capex: Rs. 25,256 million

Orissa alumina refinery
New production: 1 million tpa
Capex: Rs. 36,736 million

2006

2007



# Chairman's Message

## Dear Shareholders,

***The year 2003-04 was an epoch making year for the Group as the holding Company Vedanta Resources plc. made its imprint on the international arena with its shares being listed on the London Stock Exchange.This was the second largest listing on the London Stock Exchange by any Company in 2003.Vedanta Resources plc. raised US$ 825 million net of expenses, to complete the capital programmes at the existing operations and to bring two new mega projects to full production.***

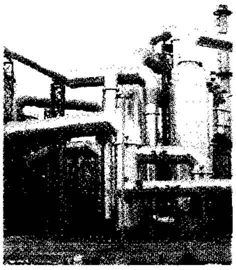
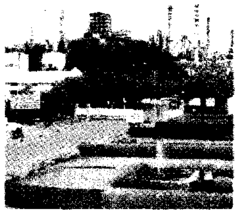
Let me share with you some of the other highlights of the year 2003-04. Your Company has shown excellent performance with a turnover of Rs. 48720 million, an increase of 43% compared to the previous year. The net profit at Rs.1971 million shows an increase of 18% over the previous year, inspite of the pressure on margins due to lower TC/RC and reduced duty structure.

With the power sector reforms, the demand for copper in the local market, is expected to grow. The export market also looks lucrative with the South East Asian countries, especially China, becoming major consumers of copper, indicating that the price of copper is likely to remain bullish.

Expansion and Consolidation has been the key strategy in your Company's growth plans. The expansion of existing production facilities at Tuticorin plant from 180,000 MT per annum to 300,000 MT per annum, is due for commissioning. With this, the cost of production of copper is likely to be driven still lower. Other major project expansions undertaken this year in subsidiary companies include, expansion of zinc production and a new power plant at zinc smelter in Chanderiya, Rajasthan, expansion of existing Aluminium production capacity in Korba, Chattisgarh and a proposed greenfield project for Alumina production in Lanjigarh, Orissa, the latter being in its initial stage.

As a measure to consolidate, the Company has increased its stake in its subsidiary, Hindustan Zinc Ltd and presently it stands at 64.9%. The Company has also exercised its option to acquire further shares in another subsidiary, BALCO from the Government of India, as per the Shareholder's Agreement entered into with the Government. The Government's response is awaited.

During the year 2003-04 the Board has allotted bonus shares in the proportion of 1:1 and in line with the liberal dividend policy followed by your Company in the last few years, has recommended a dividend of 60% on the expanded share capital. The dividend payout would be Rs.243 million, which effectively translates to 120% on the pre- bonus share capital.

Your Company has proposed a Rights Issue aggregating to Rs 1972 crores. The proceeds will be utilized to reduce debt and current liabilities and for investment in subsidiaries as part finance of their expansion projects. This is expected to improve the Group's growth and financial performance.

The drive to achieve competitive strength by becoming the lowest cost producer in the world, is being addressed by various teams implementing "Total Quality Management' (TQM). The Company's position as a front runner in energy conservation and management was reinforced when it won the 'National Award for Excellence in Energy Management', presented by the Confederation of Indian Industries ( CII). Various other awards, conferred on the Company, are testimonies of our commitment in achieving excellence in all our fields of operations.

It may be worth recalling that in the previous year, your Company's 'Sterlite' brand of copper cathode was registered as 'Grade A' Copper in the London Metals Exchange (LME). This accreditation was a worldwide recognition of the quality standards maintained by your Company.

As one of the largest metals and mining Group, your Company is committed to manage its business in a socially responsible manner. The management of environment, employee and their health and safety, community development in and around its location of operations are being addressed on an ongoing basis and are finely interwoven in the fabric of our growth.

The success of the Group is greatly a contribution of its motivated and committed employees. Their exceptional performance,involvement and perseverance propel them to achieve the Company's goals.

I commend the Company's employees and all its stakeholders for their commitment and support and believe that the future is a reflection of their initiatives.

Anil Agarwal
Chairman & Managing Director

Dated : July 26, 2004

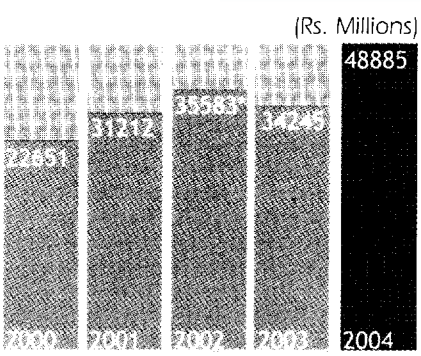
# Highlights for 2004

- Production up by 15% (155,699 MT to 178,654 MT)
- CCR sales up by 27% (95,686 MT to 121,200 MT)
- Export up by 36% (61,956 MT to 84,294 MT)
- COP of Copper Cathode down from 9.2 Cents/Pound to 7.9 Cents/Pound
- Interest cost down by Rs. 350 M Avg. Interest rate from 8.25% to 4.84%
- Net Profit up 18% (Rs. 1677 M to Rs. 1971 M)

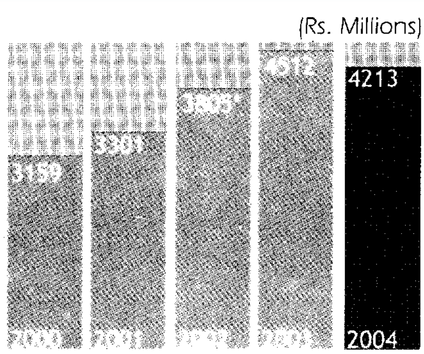
(Rs. Millions)

| Particulars | 1999-2000 | 2000-01 | 2001-02 | 2002-03 | 2003-04 |
|---|---|---|---|---|---|
| Sales & Services (including Other Income) | 22651 | 31212 | 35583* | 34245 | 48885 |
| Gross Profit (EBITDA) | 3159 | 3301 | 3805* | 4512 | 4213 |
| Cash Profit (PBDT) | 1821 | 2281 | 2580* | 3002 | 3052 |
| Net Profit (PAT) | 1051 | 1279 | 1213* | 1677 | 1971 |
| Gross Fixed Assets | 17995 | 19852 | 20298 | 21343 | 24651 |
| Net Current Assets | 9302 | 4571 | 5778 | 4703 | 7157 |
| Capital Employed | 25596 | 29303 | 30246 | 33334 | 41942 |

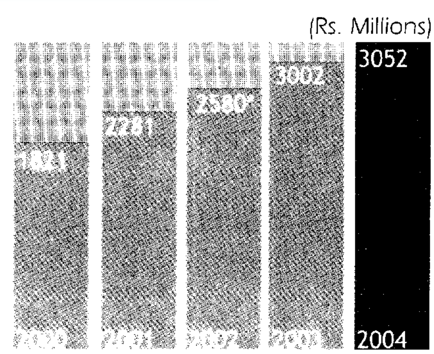




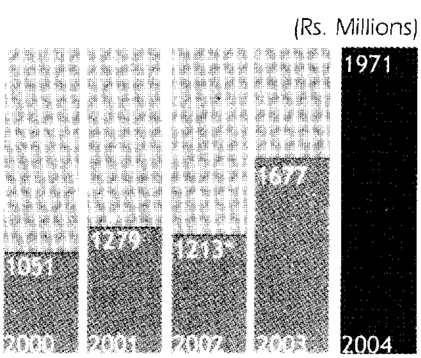
Sales and Services



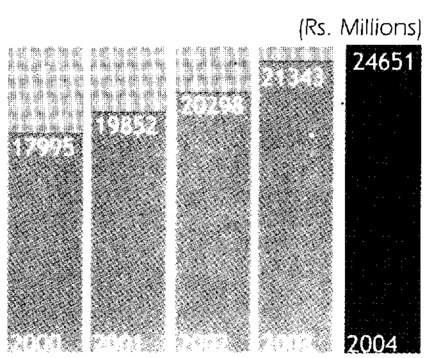
Gross Profit (EBITDA)



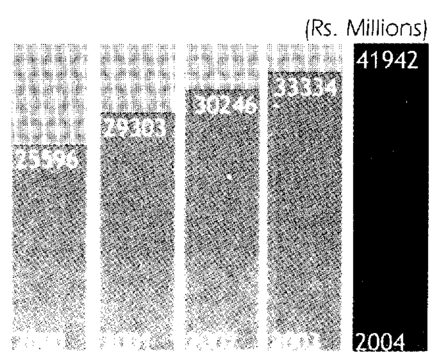
Cash Profit (PBDT)



Net Profit(PAT)

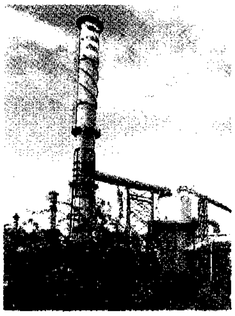
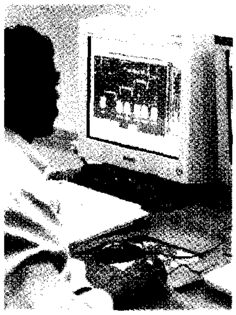


Gross Fixed Assets



Capital Employed

*Annualised

## BOARD OF DIRECTORS

| | |
|---|---|
| Anil Agarwal | Chairman and Managing Director |
| Dwarka Prasad Agarwal | |
| Ishwarlal Patwari | |
| Navin Agarwal | Whole-time Director |
| Sandeep Junnarkar | |
| Gautam Doshi | |
| C.V. Krishnan | |
| Bergis Desai | |
| Suvalaxmi Chakraborty | Nominee Director - ICICI Bank Ltd. |
| Tarun Jain | Director (Finance) |
| A. S. Khandwala | Company Secretary |

## AUDITORS

M/s. Chaturvedi & Shah - Mumbai
M/s. Das & Prasad - Kolkata



## REGISTERED OFFICE

B-10/4, Waluj M.I.D.C Industrial Area,
Waluj, Dist. Aurangabad - 431 133

## CORPORATE OFFICE

Vedanta, 75 Nehru Road, Vile Parle (E),
Mumbai - 400 099.

## TRANSFER AGENTS

M/s. Sharepro Services
(Unit : Sterlite Industries (India) Limited)

- Satam Estate, 3rd floor, Above Bank of Baroda, Chakala, Andheri (E), Mumbai - 400 099.
  Tel.: (022) 2821 5168, 2832 9828/2114 • Fax : (022) 2837 5646
- 912, Raheja Centre, Free Press Journal Road,Nariman Point, Mumbai - 400 021.
  Tel.: (022) 2288 1568/69, 2282 5163, 2288 4527 • Fax : (022) 2282 5484

E-mail : sharepro@vsnl.com

## BANKERS

ABN Amro Bank
Bank of Maharashtra
Calyon Bank
Central Bank of India
Corporation Bank
DBS Bank Limited
HDFC Bank Limited
ICICI Bank Limited
State Bank of Bikaner & Jaipur
State Bank of Hyderabad
State Bank of India
State Bank of Patiala
Syndicate Bank
The Bank of Nova Scotia
The ING Vysya Bank Limited
The Karur Vysya Bank Limited
Union Bank of India
UTI Bank Limited

*Uniquely placed and well positioned for future growth*

# DIRECTORS' REPORT

To the Members,

Your Directors have pleasure in presenting the Twenty Ninth Annual Report together with the Audited Accounts for the financial year ended March 31, 2004.

## FINANCIAL RESULTS AND APPROPRIATION

(Rupees million)

| For the Year | | **2003-04** | 2002-03 |
|---|---|---|---|
| **Turnover** | | **48,720.44** | 34,064.78 |
| Gross Profit | | **3,052.43** | 3,002.10 |
| Less: Depreciation | | **1,084.02** | 1,059.35 |
| **Profit Before Extra-ordinary items and Tax** | | **1,968.41** | 1,942.75 |
| Extra-ordinary Items: | | | |
| Provision for diminution in Value of Investments | 790.00 | | |
| Advances to Subsidiary Written off | 475.00 | | |
| Impairment of Fixed Assets | 385.00 | | |
| | 1,650.00 | | |
| Less: Transferred from General Reserve | 1,650.00 | | |
| Profit Before Tax | | **1,968.41** | 1,942.75 |
| Provision For Tax (including Deferred Tax) | | **3.05** | (266.08) |
| **Net Profit** | | **1,971.46** | 1,676.67 |
| Add: Brought forward from previous period | | **4,058.23** | 3,429.47 |
| **Amount available for appropriation** | | **6,029.69** | 5,106.14 |
| Preference Share Redemption Reserve | | – | 200.00 |
| Debenture Redemption Reserve. | | – | 320.00 |
| General Reserve | | **300.00** | 300.00 |
| Dividend on Preference Shares (including tax thereon) | | **0.18** | 5.00 |
| Proposed Dividend (Equity Shares including tax thereon) | | **243.00** | 222.91 |
| Balance carried forward for next year | | **5,486.51** | 4,058.23 |

## TURNOVER AND PROFITS

During the year, your Company achieved a turnover (including inter divisional transfer) of Rs. 48720.44 million (previous period Rs. 34064.78 million) an increase of 43% over the previous year. In addition to added thrust on export markets, the higher turnover was achieved on account of increased sales volume, and higher LME prices of Copper.

During the year there was pressure on margins due to lower levels of Treatment & Refining Charges (TC/RC) and reduced duty structure. However, your Company has maintained a gross profit of Rs. 3052.43 million. The gross profit has been maintained on account of stringent cost control measures at all levels of operations, falling interest rates and exchange fluctuation gains on borrowings and acceptances due to rupee appreciation during the year.

The net profit has increased by 18% over previous year. The net profit after tax improved on account of Deferred Tax Assets created during the year as against Deferred Tax Liability created during the previous year. This reversal in Deferred Tax is due to loss on sale of the oxygen plant at Tuticorin and impairment of assets at 'Sanaswadi and Lonavala'.



## DIVIDEND

The Board of Directors are pleased to recommend a dividend of 60% (Rs. 3.00 per equity share of Rs. 5/- each) on the enhanced equity share capital after bonus issue i.e. on 71,799,620 equity shares of the Company. The amount of dividend outgo including tax thereon will be Rs.243 million as against Rs. 223 million last year. The equity dividend is recommended after providing pro-rata dividend on 21,875,000 1% Cumulative Redeemable Preference Shares of Rs. 10 each allotted during the financial year.

## OPERATIONAL HIGHLIGHTS

### Copper Division

Production of Copper Cathodes increased by 15% i.e., from 155699 MT to 178654 MT and continuous cast copper rods by 22% i.e. from 95127 MT to 122713 MT.

The sales of continuous cast copper rod increased from 95686 MT to 121200 MT an appreciable rise of 27%. The exports were up by 36% from 61956 MT to 84294 MT for the financial year 2003-2004.

Your Company retained its leadership position in the Indian market with a share of 43% in the sale of continuous copper rods through intensive marketing efforts and delivery of excellent quality products and enhanced customer service.

Your Company's primary endeavour has been to achieve competitive strength through becoming the lowest cost producer in the world. An intense drive, backed by numerous TQM teams comprising young and talented professionals, has been successful in bringing the costs down.

The financial year 2003-2004 was also marked by the first ever export of Phosphoric acid by the Company.

**Power Transmission Line Division**

Power Transmission Line Aluminium Conductor Division continued to maintain its leadership position in India. The Division has increased its presence globally by exporting to new markets i.e., Bangladesh, Sweden, and Algeria etc. through continuous product development. The division registered a growth of 75% over the previous year and also registered a record production.

**SHARE CAPITAL**

**Foreign Currency Convertible Bonds (FCCB)**

During the year your Company had issued 1% Foreign Currency Convertible Bonds (FCCB's) aggregating to USD 50 million. The Foreign Currency Convertible Bonds carry an option to be converted to equity shares of the Company in accordance with the Offering Circular. The Company had received the Conversion Notices for conversion of 500 bonds into 20600 equity shares of the Company and the same have been allotted. The proceeds of the Foreign Currency Convertible Bonds were used to augment the long-term resources of the Company and for general corporate purposes.

**Bonus Equity Shares**

In order to provide greater liquidity to the Company's shares your Company issued bonus equity shares in the proportion of 1:1 viz., one equity share of Rs. 5/- each for every one share held in the Company as on the Record Date fixed for this purpose i.e., February 9, 2004 to the eligible equity shareholders of the Company. The Bonus shares were issued by capitalising part of the amount in the share premium account of the Company.

**Cumulative Redeemable Preference Shares**

During the year your Company allotted 21,875,000 1% Cumulative Redeemable Preference Shares (CRPS) of Rs. 10 each at a premium of Rs. 70 per share. These shares were issued on private placement basis. The amount raised by preference share issue would be used for general corporate purposes.

**Rights Issue**

Your Company has proposed to offer equity shares on rights basis to the existing shareholders of the Company in the proportion of one (1) new equity share of Rs. 5/- each for every two (2) equity shares at Rs. 550 per equity share held in the Company, as on the Record Date viz. July 23, 2004. The proposed rights issue would be of Rs. 2000 crores approx and the funds would be utilised for reduction of debts and current liabilities, financing expansion projects of the subsidiary company, Bharat Aluminium Company Limited and increasing stake in subsidiary companies.

**REDEMPTION OF NON-CONVERTIBLE DEBENTURES**

Your Company had issued 10% Non-Convertible Debentures of Rs. 10 each (debentures) in August, 2002 as a part payment of consideration amount pursuant to the 'Scheme of Arrangement' which was approved by the Hon'ble High Court of Judicature, Mumbai. These debentures carried a call option, which could be exercised by the Company at any time after 18 months from the date of allotment. The Company has exercised the call option & redeemed the debentures aggregating to Rs. 100.83 crores on 16th February, 2004. This would reduce the long-term debts and interest costs of the Company .

**FINANCE**

During the financial year 2003-04, your Company deployed innovative strategies to raise new funds and continue its focus on reduction of borrowing cost for both short-term and long-term loans. Your Company concluded its first unsecured ECB of US$ 25 million with a maturity of 5 years. Your Company raised US$ 50 million by means of a FCCB at a coupon of 1% p.a. Further, your Company raised a long-term loan of Rs. 1,000 million from Life Insurance Corporation (LIC) at a rate linked to Indian Government securities. Your Company also started using buyer's credit as an effective means to meet working capital funding.

Your Company enjoys the highest rating of "P1+" for short-term borrowings from CRISIL. During the year 2003 – 04 the rating for long-term borrowings was enhanced from "AA-" to "AA".

**INTERNATIONAL OFFERING**

The ultimate Holding Company 'Vedanta Resources plc' made an Initial Public Offering (IPO) in international markets and is listed on the London Stock Exchange. This was the first primary listing in London Stock Exchange of an Indian Business house. The listing gave an opportunity to international investors to invest in India's strong economic growth and surging demand for metals & minerals.

The gross proceeds raised by Vedanta Resources plc, was to realise growth opportunities and consolidate ownership of its business. Over the next three years Vedanta aims to invest over USD 2 billion to expand current operations and drive down unit costs and to develop a portfolio of attractive greenfield projects. These will include expansion and investment in Company's subsidiaries viz., BALCO aluminium smelter expansion and HZL zinc expansions.

**GROUP STRUCTURE**

The Agarwal Group being a Group defined under the Monopolies and Restrictive Trade Practices Act, 1969, controls the Company. A list of these entities is given below:

- Volcan Investments Limited, Bahamas.
- Twinstar Holdings Limited, Mauritius
- Vedanta Resources plc, United Kingdom
- Vedanta Resources Holdings Limited, United Kingdom
- Mr. Dwarkaprasad Agarwal
- Mr. Agnivesh Agarwal

## AWARDS AND CERTIFICATION

### i) AWARDS

The Copper Smelter at Tuticorin plant received the following awards during the financial year 2003-2004:

**National Award for Excellence in Energy Management**

Confederation of Indian Industry (CII) conducts National Award for Excellence in Energy Management competition. The Company has been participating in this competition since last four years and has won National awards for all the aforesaid years. The Company was also certified as 'Excellent Energy Efficient Industry' by CII for the financial year 2003-2004.

### ii) CERTIFICATIONS

**TUTICORIN PLANT**

1. The Tuticorin Customs Commissionerate has commended the excellent co-operation and effort of the Company in achieving the Revenue Target of the Commissionerate as one of the 'Top Ten Importers' during the financial year 2003-2004.
2. During the financial year 'Tuticorin Port Trust' has awarded 'Certificate of Excellence' to the Company for Traffic Performance during the year 2002-2003 i.e. handling new cargo Sulphuric Acid (Export) & Importers for the highest volume of Copper Concentrate & Rock Phosphate.

**CHINCHPADA PLANT**

1. The Company's Chinchpada plant was accredited with OHSAS 18001 Certification.
2. The Laboratory has been accredited by National Accreditation Board of Testing and Calibration Laboratories (NABL), Department of Science & Technology and has being recognised as Research & Development Centre by Department of Scientific & Industrial Research of Ministry of Science & Technology. The ISO 9002 was also upgraded to ISO 9001 (2000) latest version.

## DEPOSITORY SYSTEM

Trading of Company's shares are under compulsory demat mode. As at March 31, 2004, 30594367 (42.61%) equity shares held by 17776 (71.51%) shareholders of the Company stand dematerialised.

In order provide the shareholders of the Company a wider platform to deal in their securities, the Company has listed its shares with National Stock Exchange of India Limited (NSE) on May 25, 2004 & trading in equity shares has commenced on May 28, 2004. The Company's shares continue to be listed with 'The Stock Exchange, Mumbai' (BSE) and both the exchanges will provide facilities for on line trading of shares to investors anywhere across the country.

The Company has filed necessary applications for de-listing its securities from the Non-Regional Stock Exchanges i.e., Ahmedabad Stock Exchange (ASE), Delhi Stock Exchange Association Limited (DSE) & The Calcutta Stock Exchange Association Limited (CSE) and the approval is awaited.

## DIRECTORS

Mr. Navin Agarwal was appointed as Whole Time Director of the Company w.e.f.1st August, 2003.

Mr. C.V. Krishnan resigned as Whole Time Director of the Company w.e.f. 4th October, 2003 due to other commitments. In view of his rich experience, the Board of Directors of the Company appointed him as Additional Director on the Board of Directors of the Company. He holds office upto the date of Annual General Meeting and eligible for re-appointment.

Mr. Madan Gopal Pachisia, Director expired on November 12, 2003. The Board places their sincere appreciation for his association and guidance rendered to the Company.

Mrs. Suvalaxmi Chakraborty was appointed as Nominee Director of ICICI Bank Limited in place of Mr. A.T. Kusre, at the meeting of Board of Directors of the Company held on January 28, 2004. The Board express their appreciation to Mr. A. T. Kusre for his valuable guidance, rendered during his tenure.

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Mr. Dwarkaprasad Agarwal and Mr. I.L. Patwari retire by rotation at the ensuing Annual General Meeting and being eligible have offered themselves for re-appointment.

## CORPORATE GOVERNANCE.

A separate Report on Corporate Governance pursuant to Clause 49 of the listing agreement with the Stock Exchanges, including the Management Discussion and Analysis, Shareholders Information and Auditors' Certificate on its compliance, forms part of this Annual Report.

## DIRECTORS' RESPONSIBILITY STATEMENT

As required under Section 217 (2AA) of the Companies Act, 1956 the Directors hereby confirm that:

i) in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanations regarding material departures;

ii) such accounting policies have been selected and applied consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period.

iii) Proper and sufficient care for maintenance of adequate accounting records have been taken in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

iv) The accounts are prepared on going concern basis.

**AUDITORS' QUALIFICATION ON ACCOUNTS**

Notes to the accounts as referred in the Auditors' Report are self-explanatory and therefore, do not call for any further comments and explanations.

**AUDITORS**

M/s. Chaturvedi & Shah, Chartered Accountants and M/s. Das and Prasad, Chartered Accountants, auditors of the Company retire at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

**PARTICULARS OF CONSERVATION OF ENERGY, TECHNOLOGY ABSORBTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO**

As required under Clause (e) of Section 217 (1) of the Companies Act, 1956 and rules made therein, the particulars of the technology absorption and foreign exchange earnings and outgo are given in Annexure 1, which is attached hereto and forms part of the Directors' Report.

**PARTICULARS OF EMPLOYEES**

As required under the provisions of sub-section (2A) of Section 217 of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended, particulars of employees are set out in the Annexure to the Directors' Report. However, as per provisions of Section 219 (1) (b) (iv) of the Companies Act, 1956, the Report and the Accounts are being sent to all the shareholders excluding the aforesaid information. Any shareholder interested in obtaining such particulars may write to the Company Secretary at the Registered Office of the Company.

**SUBSIDIARY COMPANIES**

During the years under report company's wholly owned subsidiary 'Sterlite Opportunities and Ventures Limited' increased its stake in 'Hindustan Zinc Limited' to 64.92% by exercising the call option pursuant to shareholders agreement entered with Government of India. HZL is a subsidiary of the company's wholly owned subsidiary by nature of its shareholding.

As required under Section 212 of the Companies Act, 1956, the audited statement of accounts, along with the Report of the Board of Directors of the subsidiary companies and auditors report thereon are annexed. Consolidated financial statement of the Company and its subsidiaries are annexed as required under the listing agreement with the Stock Exchanges.

**ACKNOWLEDGEMENTS**

The Directors acknowledge the contributions made by the employees towards the success and growth of the Company. The Directors are also thankful for the co-operation and assistance received from the Government of India, various State Governments, and Government departments, Financial Institutions, Banks and Local Authorities. The Directors would also like to acknowledge the continued support of the Company's shareholders in all its endeavours.

For and on behalf of the Board of Directors.

**ANIL AGARWAL**
Chairman & Managing Director

Place : Mumbai
Dated : June 14, 2004.

# ANNEXURE 1 TO THE DIRECTORS' REPORT 2003-04

## A. CONSERVATION OF ENERGY

Energy conservation continues to be a key focus area of your company. Following are some of the important steps taken in this direction:

I. Carried out audit of running motors in the plant and taken the following steps for reduction of motor energy consumption:
   - Converted delta to star connection for blower motors.
   - Trim the impeller of pumps to reduce the load on motor as per application.
   - Changed higher size motors with the right size motor as per requirement.

II. Installed servo control stabilizer for lighting power supply in all the plants resulting in saving of 20% of power consumption.

III. Replaced mercury vapours lamp with metal allied lamp resulted in saving of 150w per lamp.

IV. At Refinery bifurcation of Jumbo Banks into two parts carried out to increase the efficiency.

V. Installed cooling tower to minimize the heat loss of rectifier in refinery plant.

VI. Installed temperature-based auto on–off controller for cooling tower fans in pump house & CCR plant.

VII. Achieved and sustained considerable amount saving of energy & increase in fuel efficiency in ACP plant by way of:
   - Locational change of oil heater for better fuel efficiency.
   - Implemented micro valves for individual burner for precise control.

VIII. Achieved and sustained LPG consumption in ACP plant by way of:
   - Installation of PRV station at Plant end.
   - Modification in launder design.

## B. TECHNOLOGY ABSORPTION

**Efforts made in Technology Absorption is given below:**

**1. Specific areas in which Research & Development is being carried out.**

I. Upgradation of Nickel Recovery System.

II. Upgradation of DCS System.

III. Enhanced Filtration system for Electrolyte.

**2. Benefits derived as a result of the above Research & Development**

I. The Electrolyte Purification System was upgraded by the state-of-the-art energy efficient system to produce nickel sulphate.

II. The DCS system was upgraded for better monitoring and control of key parameters.

III. The Electrolyte Filtration System capacity enhanced by in-house technology for improving the copper quality.

**3. Improvement Projects**

**I. Busbar Circuit Modifications.**

The Existing Busbar circuit will be modified and simplified to reduce energy losses and hence power consumption.

**II. Automation in critical areas in Refinery & CC Rod plant.**

Critical areas such as reagent addition system and slime transfer system will be automated for better process control in Refinery plant. In CC Rod Plant, areas such as On-line casting wheel temperature monitoring & trending, On-line level measurement of holding furnace, Auto Co controls of launder, On line rod temperature measurement etc., are under automation.

**III. Efficiency Improvement of Boilers**

Efficiency of existing boilers shall be increased by installation of air pre-heater & fuel additives.

**4. Research & Development Project at Pilot Plant Scale**

**I. Production of High Grade Nickel Sulphate with Solvent Displacement Crystallization Method.**

This method will help us in treating concentrates with higher nickel content upto 0.15% nickel in anode.

**II. Operation of Copper removal at very high density.**

The proposal envisages using the existing cell with properly dross anodes so that progress current efficiency and time efficiency around 360 per Sq.M. and 98% efficiency.

## C. FOREIGN EXCHANGE EARNINGS AND OUTGO

During the year, the Company exported Copper Cathodes, Rods and Anode Slime. The total foreign exchange earnings for the year was Rs. 11873.53 million and outflow was Rs. 21319.66 million.

## FORM A

**Form for Disclosure of Particulars with Respect to Conservation of Energy.**

| Particulars | Unit | Year Ended March 31, 2004 | Year Ended March 31, 2003 |
|---|---|---|---|
| **Power & Fuel Consumption** | | | |
| **Electricity** | | | |
| Purchase Unit | MWH | 118526.29 | 99083.61 |
| Total Amount (Excl. Demand Charges) | Rs. Millions | 332.32 | 278.08 |
| Rate/Unit | Rs. | 2.80 | 2.81 |
| Own Generation Unit | MWH | 195303.09 | 169208.46 |
| Unit Per Unit Of Fuel | | 4.79 | 4.65 |
| Cost/Unit | Rs. | 2.46 | 2.76 |
| **Furnace Oil** | | | |
| Quantity | KL | 19579.54 | 17503.14 |
| Total Amount | Rs. Millions | 225.38 | 182.22 |
| Average Cost Per Ltr | Rs. | 11.51 | 10.41 |
| **Diesel Oil** | | | |
| Quantity | KL | 650.69 | 422.64 |
| Total Amount | Rs. Millions | 12.81 | 7.11 |
| Average Cost Per Ltr | Rs. | 19.69 | 16.82 |
| **L.P.G./Propane/lpa** | | | |
| Quantity | MT | 21786.03 | 7527.09 |
| Total Amount | Rs. Millions | 415.95 | 139.17 |
| Average Cost Per Ltr | Rs. | 19.09 | 18.49 |
| **LSHS** | | | |
| Quantity | MT | 40521.12 | 36166.25 |
| Total Amount | Rs. Millions | 476.04 | 436.55 |
| Average Cost Per Kg | Rs. | 11.75 | 12.07 |

For and on behalf of the Board of Directors.

**ANIL AGARWAL**
Chairman & Managing Director

Place : Mumbai
Dated : June 14, 2004.

# CORPORATE GOVERNANCE REPORT

**CORPORATE GOVERNANCE PHILOSOPHY:**

Your Company has always believed in conducting its affairs in a fair and transparent manner and in maintaining the highest ethical standards in its dealings with all its constituents. Your Company is committed to following good Corporate Governance practices. Your Company's mission is to constantly review its systems and procedures to achieve a higher level of Corporate Governance.

**BOARD OF DIRECTORS**

**(i) Composition of Board of Directors as at March 31, 2004**

**The Board of Directors consists of a Chairman & Managing Director, one Whole Time Director and Seven other Directors, five of whom are independent.**

The composition of the Board of Directors is as follows:

| Sr. No | Name | Designation | Director Category | No. of Directorships in other Companies* | No. of Committee Memberships held in other Companies |
|---|---|---|---|---|---|
| 1 | Mr. Anil Agarwal | Chairman & Managing Director | Executive | 8 | Nil |
| 2 | Mr. Ishwarlal Patwari | Director | Non-Executive | 2 | Nil |
| 3 | Mr. Dwarka Prasad Agarwal | Director | Non-Executive | 7 | Nil |
| 4 | Mr. Sandeep Junnarkar | Director | Non-Executive & Independent | 14 | 8 (Member) |
| 5 | Ms. Suvalaxmi Chakraborty | Director (Nominee of ICICI Bank Ltd.) | Non-Executive & Independent | 2 | Nil |
| 6 | Mr. Gautam Doshi | Director | Non-Executive & Independent | 15 | 3 (Member) 4 (Chairman) |
| 7 | Mr. Navin Agarwal | Whole-time Director | Executive | 13 | 5 (Member) |
| 8 | Mr. C. V. Krishnan | Director | Non-Executive & Independent | 2 | Nil |
| 9 | Mr. Berjis Desai | Director | Non-Executive & Independent | 15 | Nil |

* includes Pvt. Ltd. Companies
but excludes Foreign Companies

**(ii) Changes in the Composition of Directors during the year**

Mr. Madan Gopal Pachisia, Director expired on 12th November, 2003.

Ms. Suvalaxmi Chakraborty was appointed as a Nominee Director of ICICI Bank Ltd in place of Mr. A. T. Kusre at the Board Meeting held on 28th January, 2004.

**MEETINGS HELD IN FINANCIAL YEAR 2003-04**

The Board of Directors meets at least once in a quarter to review the Company's performance and financial results and more often, if considered necessary, to transact any other business. During financial year 2003 - 2004, ten Board meetings were held. The dates on which the Board Meetings were held are as follows :

April 29, 2003, June 25, 2003, July 26, 2003, September 16, 2003, October 16, 2003, October 21, 2003, November 18, 2003, December 24, 2003, January 28, 2004 and March 9, 2004.

The previous Annual General Meeting of the Company was held on September 23, 2003 and an Extra Ordinary General Meeting of the Company was held on January 20, 2004. Following are the details of attendance of Directors at Board and General Meetings held during financial year 2003-2004.

| Sr. No. | Directors | No. of Board Meetings attended | Attendance At Last AGM | Extra Ordinary General Meeting |
|---|---|---|---|---|
| 1 | Mr. Anil Agarwal | Nil | No | No |
| 2 | Mr. Ishwarlal Patwari | 8 | No | No |
| 3 | Mr. Dwarka Prasad Agarwal | 7 | No | No |
| 4 | Mr. Sandeep Junnarkar | 6 | Yes | No |
| 5 i) | Mr. A. T. Kusre * | 6 | Yes | No |
| ii) | Ms. Suvalaxmi Chakraborty * | 1 | No | No |
| 6 | Mr. Gautam Doshi | 6 | No | Yes |
| 7 | Mr. Navin Agarwal | 9 | No | No |
| 8 | Mr. C. V. Krishnan | 3 | Yes | No |
| 9 | Mr. Berjis Desai | 2 | No | No |
| 10 | Mr. Madan Gopal Pachisia ** | Nil | No | NA |

* Mr. A. T. Kusre was Nominee Director of ICICI Bank Ltd. (upto 28th January, 2004) and thereafter Mrs. Suvalaxmi Chakraborty was appointed as a nominee Director of ICICI Bank Ltd.

** Mr. Madan Gopal Pachisia, Director expired on 12th November, 2003.

**COMMITTEE OF DIRECTORS**

**i) AUDIT COMMITTEE**

The Company had constituted an Audit Committee on February 14, 2001 in accordance with the requirements of Section 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreement entered with the Stock Exchanges.

The terms of reference stipulated by the Board to the Audit Committee, are as contained under Clause 49 of the Listing Agreement, as follows :

(a) Overseeing of the Company's financial reporting process and the disclosure of its financial information.

(b) Recommending the appointment and approval of external Auditors, fixation of audit fee and also approval for payment for any other service.

(c) Reviewing with the management the annual financial statements before submission to the Board, focussing primarily on (i) any changes in accounting entries based on exercise of judgement by the management (ii) qualifications in draft audit report (iii) significant adjustments arising out of audit (iv) the going concern assumption (v) Compliance with accounting standards (vi) Compliance with Stock Exchange and legal requirements concerning financial statements and (vii) any related party transactions of the Company of material nature, with promoters or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of Company at large.

(d) Reviewing with the management, external and internal auditors the adequacy of internal control systems.

(e) Reviewing the adequacy of internal audit functions.

(f) Discussion with internal auditors and significant findings and follow up thereon.

(g) Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or failure of internal control systems of a material nature and reporting the matter to the board.

(h) Discussion with external auditors before the audit commences, the nature and scope of audit as well as have post-audit discussion to ascertain any areas of concern.

(i) Reviewing the Company's financial and risk management policies.

(j) To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividend) and creditors.

The details of the Audit Committee meetings and attendance of its members is given below:

The Audit Committee was reconstituted during the financial year as below:

1. **Mr. Gautam Doshi – (Chairman)**
2. **Mr. Berjis Desai – (Member)**
3. **Mr. Sandeep Junnarkar – (Member)**

The Audit Committee met five times during Financial Year 2003 - 2004 viz. April 29, 2003, June 25, 2003, July 26, 2003, October 16, 2003 and January 28, 2004.

| Sr. No. | Name | Composition of Audit Committee | |
|---|---|---|---|
| | | Director Category | Number of Meetings attended |
| 1 | Mr. A T Kusre, *Chairman* *(upto 28th January, 2004)* | Non-Executive & Independent | 4 |
| 2 | Mr. Sandeep Junnarkar, *Member* | Non-Executive & Independent | 4 |
| 3 | Mr. Navin Agarwal, *Member* *(upto 26th July, 2003)* | Non-Executive | 3 |
| 4 | Mr. Gautam Doshi, Chairman *(w.e.f. 28th January, 2004)* | Non-Executive & Independent | 1 |
| 5 | Mr. Berjis Desai, Member *(w.e.f. 28th January, 2004)* | Non-Executive & Independent | Nil |

**ii) REMUNERATION COMMITTEE**

The Remuneration Committee of the Board recommends the remuneration package of Executive Directors, the Commission to be paid to Executive Directors as per their respective terms of appointment taking into account the profits and performance of the Company, external competitive environment and growth plans.

The Remuneration Committee was reconstituted during the financial year as below:

1. **Mr. Berjis Desai – (Chairman)**
2. **Mr. Gautam Doshi – (Member)**
3. **Mr. C. V. Krishnan – (Member)**

The Remuneration Committee met two times during the financial year 2003-2004 viz. June 9, 2003 and July 24, 2003.

| Sr. No. | Name | Composition of Remuneration Committee | |
|---|---|---|---|
| | | Director Category | Number of Meetings attended |
| 1 | Mr. A. T. Kusre, Chairman, *(upto 28th January, 2004)* | Non-Executive & Independent | 2 |
| 2 | Mr. Gautam Doshi, *(w.e.f. 29th April, 2003)* | Non-Executive & Independent | 2 |
| 3 | Mr. Berjis Desai, Chairman *(w.e.f. 28th January, 2004)* | Non-Executive & Independent | NA |
| 4 | Mr. Sandeep Junnarkar, Member *(upto 28th January, 2004)* | Non-Executive & Independent | Nil |
| 5 | Mr. C. V. Krishnan, Member *(w.e.f. 28th January, 2004)* | Non-Executive & Independent | NA |

**DETAILS OF REMUNERATION TO ALL DIRECTORS**

The break up of remuneration paid to the Directors during financial year 2003-04 was as follows :

**(i) Executive Directors**

| Sr. No. | Directors | Designation | Salary (Rs.) | Commission & Allowance (Rs.) | Perquisites (Rs.) | Total (Rs.) |
|---|---|---|---|---|---|---|
| 1 | Mr. Anil Agarwal | Chairman & Managing Director | 74,61,290 | 74,61,290 | 27,41,324 | 1,76,63,904 |
| 2 | Mr. Navin Agarwal | Whole Time Director (w.e.f. 1st August, 2003) | 72,00,000 | 72,00,000 | 34,94,792 | 1,78,94,792 |
| 3 | Mr. C. V. Krishnan | Whole Time Director (upto 4th October, 2003) | 73,75,208 | Nil | 13,06,592 | 86,81,800 |
| | **TOTAL** | | 2,20,36,498 | 1,46,61,290 | 75,42,708 | 4,42,40,496 |

**(ii) Non-Executive Directors**

| Sr. No. | Directors | Sitting fees (Rs.) |
|---|---|---|
| | Remuneration paid to Non-Executive Directors for the year (including sitting fees paid for attending Committee meetings). | |
| 1 | Mr. Ishwarlal Patwari | 40,000 |
| 2 | Mr. Dwarka Prasad Agarwal | 35,000 |
| 3 | Mr. Sandeep Junnarkar | 47,500 |
| 4 | Mr. A. T. Kusre (upto 28th January, 2004) | 45,000 |
| 5 | Ms. Suvalaxmi Chakraborty (w.e.f. 28th January, 2004) | 10,000 |
| 6 | Mr. Gautam Doshi | 45,000 |
| 7 | Mr. C. V. Krishnan (w.e.f. 5th October, 2003) | 7,500 |
| 8 | Mr. Navin Agarwal (upto 26th July, 2003) | 27,500 |
| 9 | Mr. Berjis Desai | 17,500 |
| 10 | Mr. Madan Gopal Pachisia | Nil |
| | **TOTAL** | 2,75,000 |

**Notes :**

(1) No Stock Option are granted to above managerial persons by the Company.

(2) Service Contract of Mr. Anil Agarwal is for 4 years, w.e.f. October 01, 2000 to October 19, 2004 and notice period is of three months. He was appointed as Director on the Board of 'Vedanta Resources Plc, UK and remuneration in terms of the agreement was paid only till 9th December, 2003 and thereafter discontinued.

(3) Service Contract of Mr. Navin Agarwal is 5 years w.e.f. 1st August, 2003 to 31st July, 2008 and notice period is three months.

(4) Since Mr. C. V. Krishnan decided to pursue his other commitments, the service contract of Mr. C. V. Krishnan was terminated on 4th October, 2003. He was appointed as an Additional Director on the Board of Directors w.e.f. 5th October, 2003 and holds office upto the date of the Annual General Meeting, but eligible for re-appointment.

(5) (a) Mr. Sandeep Junnarkar, a Non-Executive Director is a partner of M/s. Junnarkar & Associates, Advocates and Solicitors. The professional fees paid for the services rendered to the Company, during the year under review amounted to Rs. 0.15 million.

(b) Mr. Gautam Doshi, a Non-Executive Director is a partner of M/s. RSM & Co., a firm of Chartered Accountants. The professional fees paid for the services rendered to the Company, during the year under review amounted to Rs. 5.00 million.

**(iii) SHAREHOLDERS AND INVESTOR'S GRIEVANCE COMMITTEE**

The Committee oversees the reports received from the Registrar and Share Transfer Agents and reviews the investors complaints pertaining to transfers/transmission of shares, non-receipt of dividend/interest warrants and any other related matter. Mr. A. S. Khandwala was appointed on February 11, 2003 as Compliance Officer.

The Shareholder and Investors' Grievance Committee met four times during the financial year 2003–2004 viz., April 29, 2003, June 25, 2003, October 16, 2003 and January 28, 2004.

The Shareholder and Investors' Grievance Committee was reconstituted during the financial year as below :

1. **Mr. Sandeep Junnarkar – (Chairman)**
2. **Mr. Berjis Desai – (Member)**
3. **Mr. C. V. Krishnan – (Member)**

The details of Shareholders and Investors' Grievance Committee meetings and attendance of Directors are given below :

| Sr. No. | Name | Shareholders and Investor's Grievance Committee | |
|---|---|---|---|
| | | Director Category | Number of Meetings attended during the period |
| 1 | Mr. Navin Agarwal, *Chairman* *(upto 26th July, 2003)* | Non-Executive | 2 |
| 2 | Mr. Sandeep Junnarkar, *Chairman* | Non-Executive & Independent | 3 |
| 3 | Mr. C. V. Krishnan, *Member* | Non-Executive & Independent | 1 |
| 4 | Mr. Berjis Desai *(w.e.f. 28th January, 2004)* | Non-Executive & Independent | – |

**Status of Complaints for the Financial Year April 1, 2003 to March 31, 2004**

| | | |
|---|---|---|
| 1 | Number of complaints received from the investors comprising of Non receipt of Dividend/Interest Warrants, Non receipt of securities sent for transfer and transmission, complaints received from SEBI etc. | 475 |
| 2 | Number of complaints resolved | 413 |
| 3 | Number of complaints not solved to the satisfaction of the investors as at March 31, 2004 | 16 |
| 4 | Complaints Pending as at March 31, 2004 * | 62 |
| 5 | Number of share Transfers pending for approval as at March 31, 2004 ** | 14 |

* *since resolved within 30 days.*
** *since transferred within 15 days.*

(iv) OTHER COMMITTEES

➤ SHARE/DEBENTURE TRANSFER COMMITTEE

The Board has delegated the power to approve Share/Debenture transfer, transmission and consider, split and/ or consolidation requests to Shares/Debenture Committee consisting of Directors and Senior Executives. The Share/Debenture Transfer Committee meets at regular intervals.

➤ BANKING AND AUTHORISATION COMMITTEE

The Banking and Authorisation Committee consists of three Directors of the Company. The Committee approves on behalf of the Company the changes in authorised signatories for banking operations, delegation of powers for day to day Excise and Sales Tax matters, authorisation to specific employees for certain contractual obligations and such other delegation as may required.

➤ COMMITTEE OF DIRECTORS (CORPORATE ACTIONS)

The Board had delegated its power to Committee of Directors to approve corporate actions discussed and approved by the Board, relating to forfeiture of shares, allotment of shares on conversion of FCCB, allotment of Bonus Shares and Preference Shares. The Committee met 3 times during the financial year 2003-04 viz. January 30, 2004, February 9, 2004 and March 1, 2004.

GENERAL BODY MEETINGS

| **Details of General Meetings of Shareholders** | | | |
|---|---|---|---|
| **Date** | **Meeting** | **Registered Office** | **Time** |
| 20th January, 2004 | EOGM | B-10 Waluj MIDC Industrial Area, Waluj, Dist. Aurangabad – 431 133. Maharashtra | 11.00 am |
| 23rd September, 2003 | A.G.M | -do- | 10.30 am |
| 20th March, 2003 | EOGM | -do- | 10.00 am |
| 30th September, 2002 | A.G.M | -do- | 11.30 am |
| 8th December, 2001 | A.G.M | -do- | 11.30 am |

During the year ended March 31, 2004 there were no resolutions passed by the shareholders by postal ballot nor there are any resolutions proposed at the ensuing Annual General Meeting to be passed by postal ballot.

DISCLOSURES

i) **Disclosures on materially significant related party transactions**

There were no transactions of material nature with the promoters, the Directors or their managers or their subsidiaries or relatives during the year, which would have potential conflict with the interest of the Company at large.

ii) **Details of Non Compliance by the Company, Penalties and Strictures imposed on the Company by Stock Exchange, SEBI or any Statutory Authorities related to capital market.**

**Strictures/Penalties imposed on the Company by SEBI/Stock Exchange during the last three years:**

(1) SEBI has passed an Order barring the Company from accessing the Indian Capital Market for Equity/Debt issue for a period of two years from April 19, 2001. The same relates to alleged price manipulation during an open offer for the acquisition of shares in Indian Aluminium Company Limited (INDAL) made by the Company. The Company appealed against the SEBI Order before the Securities Appellate Tribunal (SAT).

The SAT vide its Order dated October 22, 2001 set aside the earlier SEBI Order. SEBI has preferred an appeal against the SAT order in the High Court of Judicature at Bombay and the same is pending.

(2) SEBI had filed a petition in the High Court of Judicature at Bombay challenging the Company's Buyback scheme. This petition was set aside by the Division bench of the High Court of Judicature at Bombay vide its order dated July 15, 2002. SEBI and Union of India has filed a Special Leave Petition in the Supreme Court in August 2002, which has been admitted, but no stay has been granted by the Court.

(3) During the process of Open Offer for acquisition of Hindustan Zinc Limited 20% shares of (HZL) from the public shareholders, there was delay in receipt of the approval from the RBI and consequently, delay in payment to nine non-resident shareholders.

SEBI has passed an Order dated June 12, 2003 under SEBI (Substantial Acquisition of Shares and Takeovers) Regulation, 1997 ("Takeover Code") on Sterlite Opportunities and Ventures Limited (SOVL) (as acquirer), Sterlite Optical Technologies Limited (SOTL) and the Company (as persons acting in concert) directing payment of interest @10% per annum, for alleged delay in payment of consideration amount to NRIs/FIIs/ OCBs shareholders due to delay in receipt of the approval of the Reserve Bank of India, under FEMA in connection with applications accepted in the open offer for HZL.

SOVL, SOTL and the Company have filed an appeal against the SEBI order before 'Securities Appellate Tribunal' (SAT). SAT has passed an interim order staying the impugned order of SEBI and such interim order has been extended till the disposal of the said appeal.

MEANS OF COMMUNICATION

| | | |
|---|---|---|
| (1) | **Quarterly Results** | Published in Economic Times / Business Standard all editions and Aurangabad edition of Dainik Lokmat / Sakal (Marathi). |
| (2) | **Any website, where displayed** | www.sterlite-industries.com |
| (3) | **Whether it also displays official news releases and the presentations made to institutional investors or to analysts** | Yes |
| (4) | **Whether Management Discussion & Analysis is a part of annual report or not.** | Yes (Separately given in the Annual report) |

## GENERAL SHAREHOLDER INFORMATION

1. **Annual General Meeting**

| | |
|---|---|
| **Day, Date and Time** | Tuesday, 28th September, 2004 at 3.00 PM. |
| **Venue** | Registered office: B-10/4, Waluj, MIDC Industrial Area, Waluj, District Aurangabad - 431 133, Maharashtra. |
| **Agenda** | 1) Adoption of Audited Accounts<br>2) Declaration of Dividend<br>3) Re-appointment of Directors<br>4) Re-appointment of Statutory Auditors<br>5) Appointment of Director<br>6) Approval under Section 372A of the Act for making investment in shares.<br>7) Approval for payment of Commission to Non Executive Directors. |

2. **Profile of Directors Retiring by Rotation/ eligible for re-appointment**
**Information in cases of appointment or re-appointment of Directors as required under listing agreement is given as under :**

**Mr. Dwarkaprasad Agarwal**

Mr. Dwarkaprasad Agarwal, 72 an industrialist, is one of the founder members of the Sterlite Group including Sterlite Foundation, a charitable organisation. This organisation works for the weaker section of the society. He is on the Board of the following Companies.

| Director | Committee Member |
|---|---|
| 1. Duratube Limited | Nil |
| 2. Nagreeka Exports Ltd. | |
| 3. Optical Link Limited | |
| 4. Sterlite Paper Ltd. | |
| 5. Sterlite Telecables Limited | |
| 6. Sterlite Telecom Limited | |
| 7. Sterlite Telelink Limited | |
| 8. Gaurav Overseas Private Limited | |
| 9. Twinstar International Limited | |

**Mr. Ishwarlal Patwari**

Mr. Ishwarlal Patwari aged 72 has an experience of 45 years in industrial matters. He is a Fellow Member of The Institute of Chartered Accountants of India. Mr. Patwari is also on the Board of the following Companies

| Director | Committee Member |
|---|---|
| 1. Nagreeka Exports Ltd. | Nil |
| 2. Nagreeka Synthetics Private Limited | |

**Mr. C. V. Krishnan**

Mr. C. V. Krishnan aged 54 has an experience of 29 years and is a B.Tech from IIT Madras and holds an M.B.A. degree from IIM, Ahmedabad. He also has an additional qualification of advanced training in Industrial Management RVB – Netherlands and Global Leadership Programme Michigan Business School - U.S.A.

| Director | Committee Member |
|---|---|
| 1. Hindustan Zinc Limited | Nil |
| 2. Sterlite Copper Limited | |
| 3. Sterlite International Limited | |

**Mrs. Suvalaxmi Chakraborty**

Mrs. Suvalaxmi Chakraborty, is a qualified Chartered Accountant and is with ICICI Bank Ltd. for the past 14 years. She is presently General Manager Corporate Banking and Client Relationship. She has held important position in various facets of Corporate Banking and headed various Committees concerning financial matters and has expertise in Treasury, Resource mobilisation, Indian and Forex markets, Corporate Internet Banking and Risk Management. Mrs. Chakraborty is also on the Board of the following Companies :

| Director | Committee Member |
|---|---|
| 1. Clearing Corporation of India Ltd. | Nil |
| 2. The Tinplate Company of India Ltd. | |

3. **Financial Calendar**

| | |
|---|---|
| Financial year ending | March, 31 of each year |
| First Quarter Results | end of July, 2004 |
| Half Yearly Results | end of October, 2004 |
| Third Quarter Results | end of January, 2005 |
| Fourth Quarter Results | end of April , 2005 |

4. **Book Closure Dates** : Tuesday, 7th September, 2004 to Tuesday, 14th September, 2004 (both days inclusive).

5. **Dividend Payment** : The Dividend Warrants will be posted within statutory time limit.

6. **Listing of shares on Stock Exchanges:**

The Company obtained the approval of the Shareholders at the Twenty-Eighth Annual General Meeting held on 23rd September, 2003 for delisting of the equity shares of the Company from the Non-Regional Stock Exchanges viz. Delhi, Kolkata and Ahmedabad. All the formalities for delisting of the shares have been completed and approval is awaited.

During the year the Company has listed the equity shares on the National Stock Exchange of India and trading commenced w.e.f. 28th May, 2004.

The Company has paid all applicable listing fees till date.

The Company's shares are listed on :

| | |
|---|---|
| The Stock Exchange Mumbai<br>Phiroze Jeejeebhoy Towers,<br>Dalal Street, Fort,<br>Mumbai - 400 001. | National Stock Exchange of India Limited<br>"Exchange Plaza"<br>Bandra – Kurla Complex,<br>Bandra (East), Mumbai - 400 051. |

* The Delhi Stock Exchange Assn. Ltd.
The Ahmedabad Stock Exchange
The Calcutta Stock Exchange Assn. Ltd.

* Shares under delisting from non regional stock exchanges.

**7. Stock Code**

**BSE**

Equity Shares (Demat form) : 500900

NSE : STER / EQ

Equity Shares (Demat form)

ISIN No : INE268A01023

Depositories Connectivity : NSDL & CDSL

**8. Stock Price Data**

**i) Stock Price**

Stock Price data for the year April 1, 2003 to March 31, 2004 was as follows:

| Year | Month | High (Rs.) | Low (Rs.) | Monthly Net Turnover (Rs.) |
|---|---|---|---|---|
| 2003 | April | 163.95 | 155.30 | 51,87,579 |
| | May | 166.85 | 158.15 | 11,739,612 |
| | June | 365.00 | 164.55 | 114,307,360 |
| | July | 364.00 | 275.00 | 219,939,903 |
| | August | 549.00 | 324.10 | 804,066,488 |
| | September | 630.00 | 490.00 | 530,222,215 |
| | October | 945.00 | 620.00 | 1,025,410,781 |
| | November | 1630.00 | 912.00 | 3,161,401,366 |
| | December | 1628.00 | 1125.00 | 3,548,480,037 |
| 2004 | January | 1499.00 | 1235.10 | 4,107,831,105 |
| | February | 1375.00 | 600.00 | 531,786,541 |
| | March | 655.00 | 470.00 | 478,991,003 |

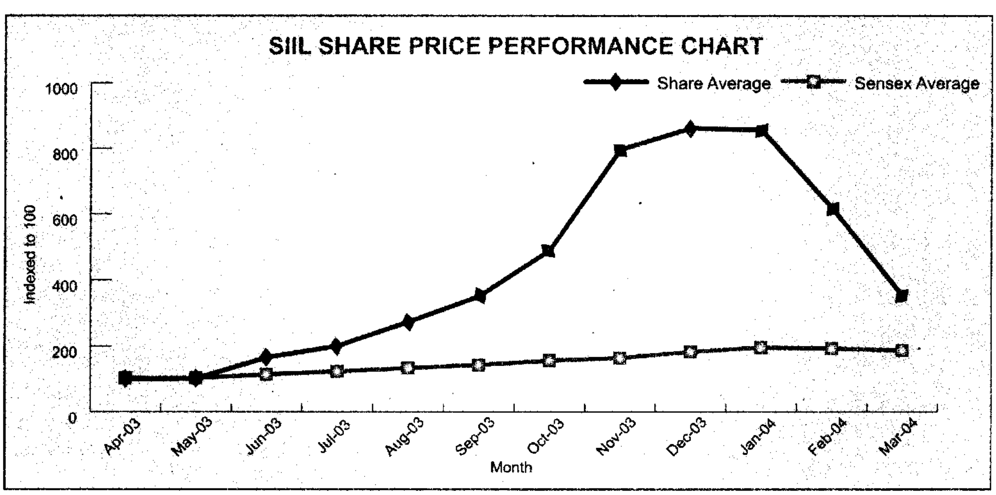
Source: Daily stock price from BSE website : www.bseindia.com

**ii) Market Capitalisation**

The market capitalisation of Company's shares as at March 31, 2004 was Rs. 36617.81 million as per the price quoted at BSE.

**9. Stock Performance**

The performance of the Company's share related to the BSE sensitive Index is given in the Chart below :



**10. Registrar & Transfer Agent**

| | |
|---|---|
| **M/s. Sharepro Services**<br>**(Unit: Sterlite Industries (India) Limited)**<br>Satam Estate, 3rd Floor,<br>Above Bank of Baroda,<br>Chakala, Andheri (East),<br>Mumbai - 400 099.<br>Tel: 022 - 2821 5168, 2832 9828/2114<br>Fax: 022 - 2837 5646<br>E-mail: sharepro@vsnl.com | **City Office :**<br>912, Raheja Centre,<br>Free Press Journal Road,<br>Nariman Point, Mumbai - 400 021.<br>Tel : 022 – 2288 1568/9, 2282 5163, 2288 4527<br>Fax : 022 – 2282 5484 |

**11. Share/Debenture Transfer System**

The Company's shares being in compulsory demat mode are transferred through the depository system. The Company has entered into agreements with both the depositories viz. National Securities Depository Limited (NSDL) & Central Depository Services (India) Limited (CDSL). M/s. Sharepro Services are Registrars and Transfer Agents for both physical and electronic mode of transfer of shares. Share/Debenture Transfer Committee approves the physical transfers received every week. Physical Shares sent for transfer are duly transferred within 10-12 days of receipt of documents, if found in order. Shares under objection are returned within 7 days.

**12. Distribution of Share holding as at March 31, 2004 :**

**Equity Shareholding**

| No. of Equity Shares | Number of shareholders | % | No. of shares | % |
|---|---|---|---|---|
| 1 – 1000 | 23905 | 96.27 | 3934967 | 5.49 |
| 1001 – 2000 | 538 | 2.17 | 778177 | 1.08 |
| 2001 – 4000 | 211 | 0.85 | 574978 | 0.80 |
| 4001 – 6000 | 44 | 0.18 | 217002 | 0.30 |
| 6001 – 8000 | 20 | 0.08 | 145311 | 0.20 |
| 8001 – 10000 | 23 | 0.09 | 215164 | 0.30 |
| 10001 – 20000 | 19 | 0.08 | 264308 | 0.37 |
| 20001 – above | 72 | 0.28 | 65669713 | 91.46 |
| **Total** | **24832** | **100** | **71799620** | **100** |

**Equity Shareholding as on March 31, 2004**

| Category | Equity shares | % |
|---|---|---|
| Promoters / Persons acting in concert | 51077540 | 71.14 |
| Banks, Financial Institutions | 49203 | 0.07 |
| Insurance Companies | 5603730 | 7.80 |
| Mutual Funds | 625594 | 0.87 |
| FII | 2015253 | 2.81 |
| NRI | 198671 | 0.28 |
| Others (Foreign Companies) | 70120 | 0.10 |
| Corporates | 1666021 | 2.32 |
| Resident Individuals / Trust | 10493488 | 14.61 |
| **Total** | **71799620** | **100.00** |

**13. Dematerialisation of shares and liquidity**

The Company's equity shares are compulsorily traded in the electronic form w.e.f. May 31, 1999. Requests for dematerialisation of shares are processed and confirmed within 15 days of receipt by NSDL and CDSL. As at March 31, 2004, 42.61% of total equity capital was held in Electronic form with National Securities Depository Ltd. (NSDL) and Central Depository Services (India) Ltd. (CDSL).

**14. Outstanding GDRs / ADRs / Warrants or any Convertible instruments, conversion date & likely impact on equity**

The Company has issued 50,000 Foreign Currency Convertible Bonds (FCCBs) aggregating to USD 50 million. The FCCB are convertible to equity shares at any time ending at the close of business on September 27, 2008 or if the Bonds are called for redemption prior to October 27, 2008, then upto the close of business on date no later than seven business days prior to the date fixed for redemption thereof.

Till date 500 Bonds have been converted to 20,600 equity shares of the Company and a balance of 49,500 FCCBs can be converted into a maximum of an additional 40,78,800 may result on conversion of balance bonds. Besides the above there are no other convertible instruments, which are likely to impact the equity.

**15. Plant Location**

| Division | Location |
|---|---|
| Copper Anodes (Smelter) | Tuticorin (Tamil Nadu) |
| Copper Cathodes (Refinery) | Chinchpada (Silvassa) |
| Continuous Cast Copper Rods (Unit I) | Chinchpada (Silvassa) |
| Power Transmission Line Aluminium Conductor | Rakholi (Silvassa) |
| Continuous Cast Copper Rods (Unit II) | Lonavala (Maharashtra) |
| Aluminium Alloy Sheets & Foils | Sanaswadi, Dist. Pune (Maharashtra) |
| Power Transmission Line Aluminium Conductor | Karanjawane, Dist. Pune (Maharashtra) |

**16. Address for Correspondence**

**i) Registrar & Transfer Agents**

(For share, debenture transfer lodgement, general investors query)

**M/s. Sharepro Services**
Satam Estate, 3rd Floor,
Above Bank of Baroda,
Chakala, Andheri (East),
Mumbai - 400 099.
Tel: 022 - 2821 5168, 2832 9828 / 2114
Fax: 022 - 2837 5646
E-mail: sharepro@vsnl.com

**City Office:**
912, Raheja Centre,
Free Press Journal Road,
Nariman Point, Mumbai – 400 021.
Tel: 022 – 2288 1568/9, 2282 5163, 2288 4527
Fax: 022 – 2282 5484

**ii) Company**

(for unresolved shareholder complaints, queries etc.)

**Sterlite Industries (India) Limited**
Corporate Secretarial Dept.,
'Vedanta' , 2nd Floor,
75 Nehru Road,
Vile Parle (East),
Mumbai – 400 099.
Tel Nos. 5646 1211 / 1212
Fax Nos. 5646 1251
Email : vvshares@sterlite.com

For and on behalf of the Board
**ANIL AGARWAL**
Chairman and Managing Director

Place : Mumbai
Dated : June 14, 2004

## CERTIFICATE

To The Members of,
**STERLITE INDUSTRIES (INDIA) LIMITED**

We have examined the compliance of conditions of Corporate Governance by Sterlite Industries (India) Limited, for the financial year ended March 31, 2004, as stipulated in Clause 49 of listing agreement of said Company with the Stock Exchange(s).

The compliance of conditions of Corporate Governance is Responsibility of the Management. Our examination was limited to the review of the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor expression of opinion on the financial statement of the Company.

In our opinion and to the best of our information and according to the explanations given to us and the representation made by the Directors and the Management, we certify that the Company has complied in all material respect with the conditions of Corporate Governance as stipulated in Clause 49 in above mentioned Listing Agreement.

As required by the guidance note issued on certification of Corporate Governance issued by the Institute of Chartered Accountants of India, we state that, the Registrar & Transfer Agents of the Company have certified that, as on 31st March, 2004 there were no investor grievance remaining pending for a period exceeding one month and as explained to us by the Management, the Registrars have reported to the shareholder/ investors' grievances committees regularly on the status of such grievances.

We further state that such compliance is neither an assurance as to future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

**For CHATURVEDI & SHAH**
**Chartered Accountants**
**D. CHATURVEDI**
**Partner**
**Membership No. 5611**
**Place: Mumbai**
**Dated: 14th June, 2004**

**For DAS & PRASAD**
**Chartered Accountants**
**B. N. AGRAWALA**
**Partner**
**Membership No. 11709**

# MANAGEMENT DISCUSSION AND ANALYSIS

## OPERATIONAL HIGHLIGHTS

## COPPER

**Overview**

In the year 2003-04 your Company's production of Copper Cathods reached a level of 178,654 MT as compared to 155,699 MT in the previous year, registering a growth of about 15%. The overall primary production in the country increased by 5.3% reaching a level of 396,000 MT (376,000 MT in 2002-03). The total sales of Copper Cathods registered a 15% growth against the sales of 155,744 MT in the previous year to 179,002 MT.

The domestic sales of your Company at 94,700 MT registered only a marginal growth from the previous year's sales. The subdued growth in Company's domestic sales was mainly because of duty free copper imports from Sri Lanka under Free Trade Agreement.

The major focus area for your Company has been maximising the sales of value added products especially in the export market. We achieved a good success in our endeavour in the form of about 27% increase in the overall Sales of Continuous Cast Wire rods at 121,200 MT and wire rod sales which reached a level of 49,579 MT as compared to 19,332 MT in the previous year.

The financial year 2003-2004 saw the spot and benchmark, Treatment & Refining Charges (TC/RC's) touching rock bottom on account of continued copper concentrate shortages, though the situation has shown some improvement in 2004-05.

Significant progress was made on the expansion project, which is underway at Tuticorin. It is nearing completion and the increased capacity is expected to come into operation in the second half of current financial year.

In the current year, imports of copper under free trade agreement with Sri Lanka would continue to be of concern though the domestic copper market is expected to follow the growth path due to demand led by power sector. The TC/RC are also expected to improve thus reducing the pressure on margins.

## BUSINESS ANALYSIS

1. **Domestic Copper industry structure and development**

   Copper production in India registered a growth of 5.3% over the previous year, with an overall production of about 396,000 metric tones (MT) in 2003–2004 compared to 376,000 MT in the year 2002-2003. The domestic market for continuous cast wire rods during the year continued to be affected by declining off-take in the jelly filled telephone cable segment which was partly made up by encouraging growth in the power cable and house wiring segments besides transformer segment which also showed significant increase over the previous year.

   During the year 2003-04 total consumption of copper in India registered a meagre growth of 0.5% and the share of refined copper from the primary producers in the country took a dip and rested at about 60%. The market also witnessed a large influx of copper in various forms from Sri Lanka under Indo Sri Lanka Free Trade Agreement (ISFTA) at zero import duty. The concerned authorities have recognised that the import of copper and copper products from Sri Lanka does not meet the value addition criterion. However, despite their intervention to rectify the situation, influx of duty free copper has continued. This is a major area of concern for the Industry and for the Government. We hope that during the course of current year, suitable and effective measures would be taken to arrest the misuse of the trade agreement with Sri Lanka.

   The copper consumption in the country is expected to grow in the financial year 2004-2005 at about 6-7% primarily driven by growth in the power sector consequent to the steps taken during the last decade in the area of power reforms. During the year, import duty on copper was reduced by almost 10% as a result of reduction in customs duty by 5% and abolition of Special Additional Customs duty (SACD).

2. **International scenario**

   The year 2003 was quite challenging for the copper smelters with Treatment Charges & Refining Charges (TC and RC) on copper concentrate touching historical lows in the spot market and in the benchmark frame contracts, eroding the smelting margin for copper smelters worldwide. Refined copper production at 15.360 Million MT, which was almost equal to the previous year, fell short of demand by 351,000 MT due to increase in consumption, which went up to 15.711 Million MT. The major growth driver was China recording a 24.1% increase in consumption. The supply shortfall pushed up the premiums, which partly mitigated the downward margin pressures caused by fall in TC and RC.

   The year 2004 started on a positive note and the global copper consumption growth is estimated at 4.7% in the year 2004.

3. **LME copper prices**

   Steep rise in the Chinese copper consumption, gradual recoveries in Western Europe, Japan and North American economies, weakening of US dollar, continuous fall in the copper stocks at LME, Comex and Shanghai exchange warehouses and other financial and economic factors raised the copper price to a level of US$ 3160/MT in the month of April, 2004. However, later on it saw some correction and

settled at an average of US$ 2733/MT level in May 2004. The average prices for the year 2002 and 2003 were US$ 1559 and US$ 1780 PMT respectively. Disruption in a major copper mine also gave an upward push to the copper price.

The copper prices are likely to remain firm during the year 2004 on the strength of fundamentals.

4. **Copper concentrates & TC/RC**

Several factors contributed to fall in TCs and RCs including production cut backs by several mines (which had started in the year 2002), disruption in a major copper mine towards the end of 2003 and the weakening US dollar.

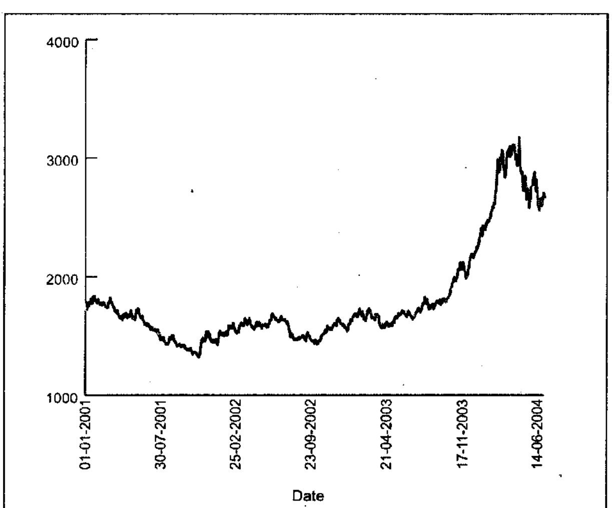
Copper concentrate remained a major cause of concern for all the smelters worldwide resulting in low TC/RC margins. The situation has started improving in the first quarter of 2004 both in terms of availability and improvement in the spot TC and RC margins. The current copper prices are attractive enough for the copper mining fraternity to maximise mines production, re-opening of marginal mines and to take up development of new mines. From Q3, 2004 copper concentrate balance is expected to tilt in favour of the smelters.

Annual Industrial Production (IP) growth for major countries

| Country | Annual IP Growth | | |
|---|---|---|---|
| | 2002 | 2003 | **2004** |
| **USA** | -0.60% | 0.30% | **4.70%** |
| **Japan** | -1.10% | 3.10% | **6.40%** |
| **UK** | -2.60% | -0.50% | **-0.30%** |
| **Germany** | -1.10% | 0.50% | **1.00%** |
| **China** | 10.00% | 16.70% | **16.40%** |

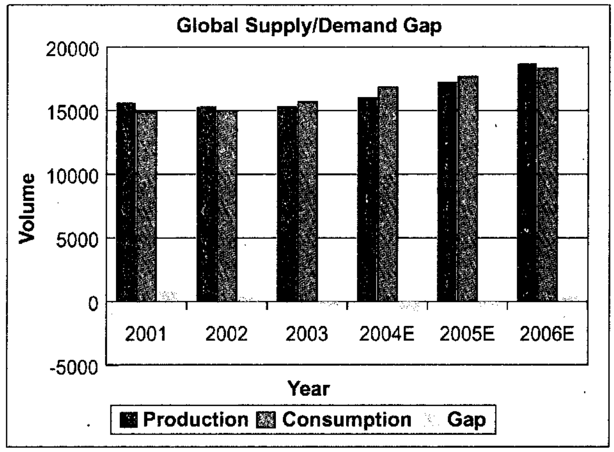
Source: Brook Hunt-May 2004 Issue

**LME Price Movements for copper**




Source: LME

**Global demand and supply balance in refined copper**




(In 000 MT)

| Year | 2001 | 2002 | 2003 | 2004E | 2005E | 2006E |
|---|---|---|---|---|---|---|
| **Production** | 15649 | 15352 | 15360 | 16044 | 17255 | 18704 |
| **Consumption** | 14888 | 15007 | 15711 | 16839 | 17680 | 18320 |
| **Demand/ Supply Gap** | 761 | 345 | -351 | -795 | -425 | 384 |

Source: Brook Hunt Copper - May 2004 issue

**Asia – Refined Copper Consumption (in '000 MT)**

| Year | 2001 | 2002 | 2003 |
|---|---|---|---|
| China | 2320 | 2535 | 3147 |
| Japan | 1145 | 1164 | 1185 |
| Rest of Asia | 2652 | 2977 | 3072 |

Source: Brook Hunt Copper-May 2004 issue

## POWER TRANSMISSION LINE DIVISION

Power Transmission Line Division continues to maintain leadership position in domestic market. The qualifying requirement and registration with the major utilities overseas have been completed and it is a major breakthrough. Exports to new markets viz., Bangladesh, Algeria, Sweden etc. commenced during the year and repeat orders were received. The manufacturing and technical capabilities have been appreciated by international giant corporates viz., Alstom, Ineo, etc.

The Product Development efforts through continuous Research & Development has borne rich results and contributed to high grade Alloy Conductors development.

The division was awarded prestigious orders from Powergrid Corporation of India Limited (PGCIL) of over Rs. 3 billion, which is itself a record.

The Government of India has endeavoured to complete the National Grid by 2009 which entails a massive outlay of Rs. 1000 billion for generation of 1,00,000 mw electricity along with transmission network of 60,000 Cable Kilometers (CKM) to be completed.

PGCIL will be the key player in implementing the National Grid and the Company's Conductor Division's impeccable track record with PGCIL will ensure healthy growth in the coming years.

## FINANCIAL ANALYSIS

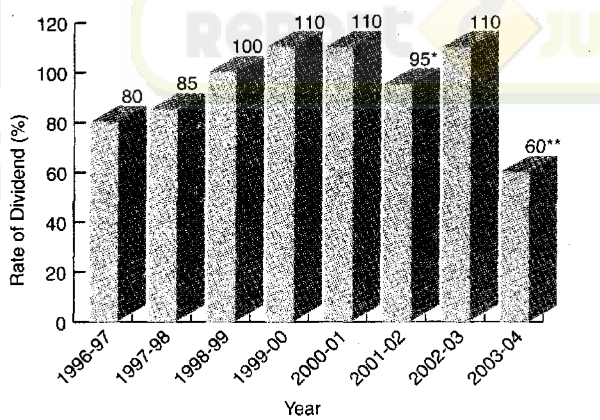
### Capital Structure

The issued share capital as at March 31, 2004 comprised of 71799620 equity shares of Rs. 5/- each. The share capital aggregates to Rs. 359 million. During the year, the Company issued 35854469 Bonus equity shares of Rs. 5 each amounting to Rs. 179.3 million by capitalizing the part of share premium amount. During the financial year 2003-2004, the Company issued 21875000 1% Cumulative Redeemable Preference Shares of Rs. 10 each amounting to Rs. 218.75 million. The Company issued 20600 fully paid equity shares of Rs. 5 each consequent to conversion of 500 Foreign Currency Convertible Bonds.

### Dividend

The Board of Directors have recommended a dividend of 60% (Rs. 3/- per equity share) of Rs. 5/- each on increased share capital resulting on allotment of Bonus Shares in the ratio 1:1. The dividend outflow aggregates to Rs. 243 million compared to Rs. 223 million (including dividend tax) for the previous year. The Company has provided pro-rata dividend on 21,875,000 1% Cumulative Redeemable Preference Shares of Rs. 10/- each for the financial year 2003-2004.

EQUITY DIVIDEND




* 9 Months
** On expanded share capital after bonus issue (1:1) (Effective 120%)

### Reserves and Surplus

As at March 31, 2004, Reserves and Surplus of the Company aggregated to Rs. 13821.73 millions after utilising Rs. 179.28 millions for issue of bonus equity shares by way of capitalisation of the Share Premium Account. Retained earnings accounted for 48.08% and the share premium constituted the balance.

### Capital Employed

The total capital employed by the Company increased by Rs. 8608.65 millions to Rs. 41942.27 millions. The increase is on account of increased investments in wholly owned subsidiary company and net working capital. The ratio of sales to capital employed has increased from 0.66 in previous year to 0.73 in the current year.

### Gross Block

The Gross Block including capital work in progress increased by Rs. 3308.47 million to Rs. 24651.47 million as at March 31, 2004 from Rs. 21343 million as at March 31, 2003, mainly due to ongoing expansion of smelter and refinery production facilities.

### Investments

Investments increased by Rs. 4239.58 million (net). Amount paid for purchase of shares of Sterlite Opportunities and Ventures Limited, a wholly owned subsidiary, mainly contributed to this increase.

### Inventories

Inventories have increased from Rs. 3490.45 million as at March 31, 2003 to Rs. 3743.41 million as at March 31, 2004 due to increased level of operations and higher level prices of Copper in London Metal Exchange (LME). In relation to the cost of sales inventories have decreased to 46 days in 2003-2004 as compared to 61 days in 2002-2003.

### Debtors

Sundry debtors have increased by Rs. 1320.45 million to Rs. 3046.15 million as at March, 2004 compared to Rs. 1725.70 million as at March 31, 2003. Debtors' collection period has marginally increased from 26 days in 2002-2003 to 28 days in the financial year 2003-2004.

### Loans and Advances

Loans and Advances as at March 31, 2004 decreased marginally by Rs. 72.95 million to Rs. 5671.76 million compared to Rs. 5744.71 million as at March 31, 2003.

### Sales and Services

The Net Sales and Service revenue increased by Rs. 8619.01 million to Rs. 30698.12 million in the financial year 2003-2004 a growth of 39.04% over the previous year. Total export revenues on FOB basis increased by Rs. 5219.19 million to Rs. 11760.54 million in the financial year 2003-2004, a growth of 80% over the previous year.

### Other Income

Other Income aggregating to Rs.165 million represents interest earned and profit on sale of long term and current investments received on temporary parking of surplus funds in various money market instruments, interest on security and dividend income.

### Raw Materials

The primary raw material of the Company, copper concentrate is imported. The price for copper concentrate is linked to prevailing LME prices for the refined copper. The fully owned copper mines of the Company cater to around 25% of requirements of concentrates and the balance is sourced from other mines on long-term contracts and also on spot purchases. The Company also imports rock phosphate for conversion of sulphuric acid to phosphoric acid. The total value consumed at Rs.23508.36 million increased by 53.28% compared to Rs.15336.58 million in the previous year.

### Other Manufacturing Expenses

Other manufacturing expenses comprising of power and fuel, stores and spares, repairs etc. increased to Rs. 2307.34 million compared to Rs. 2094.19 million in the previous fiscal year. This accounted for 7.52% of net sales compared to 9.48% in the previous year mainly due to major shut down in April, 2002.

### Overheads

Overheads include employee expenses, selling expenses and administrative expenses. This accounted for 31.4% of the net sales as compared to 5.56% in the previous year.

### Interest Outflow

Inspite of increased level of operation, net interest costs decreased by Rs. 350.14 million to Rs. 1160.19 million in the financial year 2003-2004 mainly due to lower interest rates.

### Depreciation

Depreciation increased marginally by Rs.24.67 million to Rs.1084.02 million for the financial year 2003-2004 compared to Rs.1059.35 million for 2002-2003. The Company provides depreciation on straight-line basis.

### Corporate Income Tax

Corporate Income Tax provision for the financial year 2003-2004 at Rs. 102.08 million (excluding provision for deferred tax) compared to Rs. 117.06 million in the previous year.

### Internal Control System & Their Adequacy

The Company has a proper and adequate system of internal controls to enable that all assets are safeguarded and protected against loss from unauthorised use or disposition and that the transactions are authorised, recorded and reported correctly.
The Internal Control is supplemented with extensive system of Internal Audits, reviews by Management Assurance Department and documented guidelines and procedures.

## HUMAN RESOURCES

The vision of the Company to be the world's lowest Copper cost producer is the prime mover of the business & all the employees. HR is working with the production & maintenance units to help achieve this vision by providing them the right manpower, right training and right motivation to achieve the same. The very goal itself inculcates a sense of pride in all the employees and drives exceptional performance and commendable levels of commitment & involvement at all levels alike.

### Building Organisation

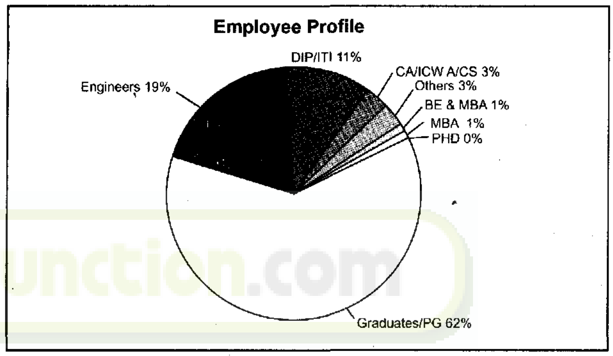
- The Company has been aggressively inducting fresh professionals such as Engineers, Chartered Accountants and Engineer-MBAs from premier Institutions all over the country. A new breed of managers under the banner of "Sterlite Management Services" has been inducted to take charge of individual businesses.
- It is also being ensured that such professionals are continuously mentored and their performance monitored in order that they are ready to take on higher and more challenging roles in the various functions of the organisation.
- In addition, several employees have been provided opportunities to serve in a group company on secondment. The main objective is cross-fertilisation of experiences and expertise among the companies in the Group.

### Building Culture

- With a view to nurture a culture of participative style of management, we have inculcated a Management Process that requires all major decisions including those at the operational level decisions to be taken through consultation and participation. Irrespective of the hierarchy, decisions are encouraged to be taken at the lowest level of the organisation through a committee. This ensures greater ownership and commitment to such decisions.

### Building Talent

- The emphasis on training, particularly in-house training, has been sustained and during the year, several new initiatives have been set in motion. Those that deserve mention are, Internal Faculty




Development from amongst our own employees on a voluntary basis; clearing the blue-print for establishing a Learning Centre in Tuticorin which will serve as a hub for technical and management training and offering programmes such a basic managerial skills for engineers, change management, etc. HR aims to facilitate learning and growth through the right blend of training in Technical, Behavioural, Environment, Health & Safety areas to employees in conjunction with their roles and responsibilities.

## ENVIRONMENT AND CONSERVATION

Environment and safety has been the top of the priorities for your Company. During the year more initiatives have been taken to ensure its operations are carried out in an environmentally sound manner. During the year under review, several improvement projects in areas of water conservation, solid waste management and also towards improving ambient air quality have been undertaken.

### Charter on Corporate Responsibility for Environment – Copper smelter

The copper smelter division at Tuticorin has complied the following conditions recommended by the Central Pollution control Board in view of corporate responsibility on better environment.

1. Introducing continual sulphur dioxide monitoring by September 2004.

2. To achieve Zero discharge on treated waste water.
3. Developing greenbelt around the plant and accommodation areas.

Beyond these legal requirements, the Tuticorin unit has also implemented the following environmental improvement measures, as part of its continual improvement programmes to create a cleaner & greener environment.

**Air Pollution Control measures**

In its endeavour to reach the benchmarking level in the environmental management, the scrubbing system at Tuticorin plant for the smelter gases has been upgraded at a cost of Rs. 3 million and has improved its efficiency by 10%. Another upgradation was in the area of transportation of gypsum within the plant wherein the transport of gypsum has been converted from conventional systems to a pipe conveyor system of length 1.6 Km, at a cost of Rs. 25 million to avoid the dust pollution in the plant. Further dust control measure was incorporation of an additional dust scrubber at a cost of Rs. 3 million in rock phosphate handling area in the phosphoric acid plant.

The Chinchpada unit has installed Fuel Efficient System in the Boiler, which helps to reduce air pollution. The unit also provides better Air Ventilation facilities i.e., Exhaust fan facilities at the refinery.

**Water conservation measures**

Water is a precious commodity and special measures have been taken to use it optimally. The Tuticorin unit has continued to treat the effluent and recycle the treated water in the process, maintaining zero discharge. The Tuticorin unit has commissioned the second sewage treatment plants (STP) and the treated water is used for greenbelt in and around the plant area. The unit has also proposed to instal and commission two more STPs during the next financial year. Through an innovative approach to conserve water used for cooling in sulphuric acid plant the water cooling system has been replaced with air-cooling system at a cost of Rs. 75 million. About 2000 cubic metres per day water conservation has been envisaged by this project.

The Chinchpada Unit has installed Water Recovery Evaporation Plant & has upgraded DM plant capacity which results into reduction in water consumption. The Chinchpada Unit has installed flow meters for proper monitoring and control of water consumption in each section. The Unit has also succeeded in reducing wastage of water by providing level controllers.

**Solid waste Management**

The second cell of secured landfill facility at Tuticorin has been commissioned in the year at a cost of Rs. 15 million as per Central Pollution Control Board's design. Technical studies are being carried out to reduce the solid waste generation.

The Company's unit at Chinchpada also has installed Sewage Treatment Plant at Silvassa and the treated water is used for Green Belt Development.

**Greenbelt development**

Clean & Green Environment is Copper Division's motto. To sustain the same, the Tuticorin unit has planted around 10,000 trees during the year under report and proposes to plant 15,000 trees in current financial year.

The Chinchpada unit has planted around 250 trees inside the plant premises and celebrates various occasions such as Birth Day Tree Plantation, Employee of the month tree plantation. The unit also celebrated the World Environment Day.

## OCCUPATIONAL HEALTH AND SAFETY

With the framework provided by its ISO: 18001 certified systems for Occupational Health Safety Management, the Copper Division has been actively on a journey of continual improvement in the areas of Occupational Health and Safety.

The Company is proud to declare that it has taken proactive steps during the year.

**Safety**

A Protocol system for critical and new job activities has been initiated and is rigorously followed. HOPES system for Handing Over of new projects and modifications has been implemented. As part of new safety techniques, systems for safe harnessing of the persons working on trucks and automation of acid loading system to avoid manual handling have been set up.

The Company's unit at Chinchpada has enrolled itself as a Member of British Safety Council. During the last year it conducted Safety Audit. The Unit celebrated National Safety Week during the last year, which impressed upon the importance of Safety in the Organisation. The unit conducts regular testing of pressure vessel, lifting tools & tackles, storage tanks & chimney. The unit strictly adheres to personal protective equipment which is ensured by regular checks and education. Different Safety Contests are also conducted within the unit so as to create general safety awareness.

**Safety Information system**

With a view to broad-base safety consciousness among all employees, an intranet based system has been introduced wherein any employee can report immediately about the safety hazard. The Hazard Operable study and Risk Assessment has been completed for the expansion projects and the findings are under implementation. As a regular audit on safety, the Electrical and the Project Safety has been covered by competent agencies during the year. Routine physical condition tours of the plant by various employees to assess the safety and house keeping of the plant in micro level were institutionalized during the year. An Information security management system has been implemented to protect all our data and records.

**Health**

The medical records and the safety statistics of the unit have been converted into soft form for easy retrieval with

a special software was developed in-house. Specialised medical examination of eye and vision, for crane and truck operators has been carried out. As part of our social responsibility, the Tuticorin unit has conducted health camps and Leprosy detection camps for the neighborhood areas of re plant sites.

The Company's Chinchpada Unit conducts Annual Medical Check up of all the employees. The Unit has procured Manual & Automatic Resuscitation System (MARS) for providing CPR.

## SOCIAL ACCOUNTABILITY

The Tuticorin plant has been in the forefront of Community Development Initiatives in Tuticorin, especially in the field


of Education, Health, Infrastructure & Sports. The plant is focusing on education of children and vocational training for women.

### Building Partnerships In Our Social Efforts

Sterlite Copper, Tuticorin under the aegis of corporate social responsibility has reached out to 7 Panchayats covering 15 villages and coastal slums, covering 12,000 below poverty line families. These activities are organised in four major spheres of education, health, sports and community infrastructure.

### Health

The rural clinic operates twice a week in 4 villages providing access to neighbouring 12 villages, these clinics are operated with medical professionals and paramedical staff and supported with full fledged pharmacy free of cost. During the year 24,212 patients availed this facility. Our intensive health camps organised in rural areas have assisted 3068 patients. Eye care camps have restored complete sight of 230 patients suffering from cataract.

On a special request, as many as 330 destitute and economically backward students were administered jaundice and typhoid vaccine. Our lead role played in pulse polio immunisation campaign in this region is worth a mention.

The Company's Chinchpada unit has actively participated in Pulse Polio Immunisation programme.

### Education

To support under privileged students from rural areas, your Company conducts 13 evening study centres in which over 1400 students were enrolled during the year. Apart from supporting them in their regular academics these rural students were given support in learning soft skills and Hindi. As many as 1,600 economically backward students were given free study materials. As a motivational effort the Company has instituted 'Scholastic Excellence Awards' to District toppers in X and XII in public exams. Sterlite has supported development of infrastructure in Panchayat schools in the neighbourhood villages by providing benches, desks, computers, play equipment. Yet another new initiative was a counselling cum coaching camp sponsored along with a publication house for over 6000 children appearing for competitive examinations.

### Sports

As part of our efforts to promote rural sports, Sterlite, played host for, volleyball tournament in Pandarampatti village, Vadakkusilukanpatti, Kabaddi tournament and Milavittan cricket tournament. In addition, sporting kit was sponsored for the boys and girls squad of the Tuticorin district sub-junior, junior and youth teams to play the inter-district tournaments.

### Community Infrasturcture

Providing drinking water is a national priority. Towards this cause, drinking water was supplied to Millavitan village during the whole year and a permanent drinking water system was installed with bore well, motors and pipe line in remote villages through our community infrastructure support programme. In addition, we have taken up a joint venture project to build a overhead reservoir with a capacity of one lakh litres in a drought prone region of Udangudi village.

Sterlite participated in the Tamilnadu Government special schemes, by installing rainwater-harvesting structures in 150 below poverty line houses in the villages and providing garbage vehicles for sanitation program.

### Cautionary statement

*Statements in the Management Discussion and Analysis describing the Company's objectives, projections, estimates, expectations may be "forward-looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make difference to the Company's operations include economic conditions affecting demand/supply and price conditions in the domestic and overseas markets in which the Company operates, changes in the Government regulations, tax laws and other statutes and other incidental factors.*

# AUDITORS' REPORT

To
**The Members of Sterlite Industries (India) Limited**

We have audited the attached Balance Sheet of 'Sterlite Industries (India) Limited', as at 31st March, 2004 and also the Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

1. As required by the Companies (Auditor's Report) Order, 2003 issued by Central Government of India in terms of Section 227 (4A) of the Companies Act 1956, we give in the Annexure hereto a statement on the matters specified in the paragraphs 4 and 5 of the said order.

2. Further to our comments in the Annexure referred to in paragraph 1 above, we state that:

   (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.

   (b) In our opinion, proper books of account, as required by law, have been kept by the Company, so far as appears from our examination of such books.

   (c) The Balance Sheet and Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.

   (d) In our opinion the Balance Sheet and the Profit & Loss Account and Cash Flow Statement complies with the mandatory Accounting Standards referred to in Section 211 (3C) of the Companies Act, 1956.

   (e) On the basis of the written representations received from the Directors as on 31st March, 2004, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2004 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

   (f) In our opinion and to the best of our information and according to explanations given to us, the accounts read together with the notes thereon, in particular note no. 3 regarding the extraordinary items and transfer of general reserve to profit and loss account, note no. 12 and 14 regarding change in accounting policies for accounting of expenses in connection with issue of foreign currency convertible bond and purchase of copper concentrate and export of slime where the quotational period price are not finalized, respectively, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

      (i) in so far as it relates to Balance Sheet, of the state of affairs of the Company as at 31st March, 2004;

      (ii) in so far as it relates to the Profit & Loss Account, of the Profit of the Company for the year ended on that date; and

      (iii) in so far as it relates to the Cash Flow Statement, of the Cash Flow for the year ended on that date.

**For CHATURVEDI & SHAH**
***Chartered Accountants***

**D. CHATURVEDI**
***Partner***
**Membership No. 5611**

**For DAS & PRASAD**
***Chartered Accountants***

**B. N. AGRAWALA**
***Partner***
**Membership No. 11709**

**Place : Mumbai**
**Dated : June 14, 2004**

## ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph 1 of our report of even date)

As required by the Companies (Auditors' Report) Order, 2003 issued by Central Government of India in terms of Section 227 (4A) of the Companies Act 1956, and on the basis of such checks as we considered appropriate, we further report that:

(i) (a) The Company has generally maintained proper records showing full particulars including quantitative details and situation of fixed assets.

(b) As explained to us, the fixed assets have been physically verified by the management in accordance with a phased programme of verification, which in our opinion, is reasonable, considering the size and nature of its business. No material discrepancies were noticed on such verification as compared with the available records.

(c) As per the information and explanation given to us, during the year, the company has not disposed off any substantial part of fixed assets that would affect the going concern.

(ii) (a) As explained to us, inventories have been physically verified by the management at reasonable intervals.

(b) In our opinion and according to the information and explanations given to us, the procedure of physical verification of inventories followed by the management is reasonable and adequate in relation to the size of the Company and the nature of its business.

(c) On the basis of our examination of inventory records, we are of the opinion that the company is maintaining proper records of inventory. As explained to us, discrepancies noticed on physical verification of the inventories between the physical inventories and book records were not material, having regard to the size of the operations of the Company, and the same have been properly dealt with.

(iii) (a) The Company has not taken loan from companies, firms and other parties covered in the register maintained under Section 301 of the Companies Act, 1956. There are 2 companies covered in the register maintained under Section 301 of the Companies Act, 1956, to which the Company has granted loans. The maximum amount involved during the year was Rs. 939.63 millions and the year-end balance of loans granted to such parties was Rs. 73.88 millions.

(b) In our opinion the rate of interest and other terms and conditions on which loans have been granted to parties listed in the register maintained under Section 301 of the Companies Act, 1956 are not, prima facie, prejudicial to the interest of the Company.

(c) The parties have repaid the principal amounts and interest at year end.

(d) There is no amount outstanding, as at year end, of loans granted to parties covered in the register maintained under Section 301 of the Companies Act, 1956.

(iv) In our opinion and according to the information and explanations given to us there are adequate internal control procedure commensurate with the size of the Company and the nature of its business for the purchase of inventories and fixed assets and for sale of goods. We have not observed any continuing failure to correct major weakness in the internal control.

(v) (a) In our opinion and according to the information and explanations given to us, transactions that need to be entered into a register in pursuance of Section 301 of the Companies Act, 1956, have been so entered.

(b) Each of these transactions, made in pursuance of contracts or arrangements entered in the register maintained u/s 301 of the Companies Act, 1956, and aggregating during the year to Rs. 5,00,000/- or more in respect of each party, have been made at prices which are reasonable. The Company has not made similar transactions with any other party.

(vi) The Company has not accepted any deposit from the public and hence directives issued by the Reserve Bank of India and the provisions of section 58A and 58 AA of the Companies Act, 1956 and rules framed thereunder are not applicable for the year under audit.

(vii) In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.

(viii) We are informed by the management that Central Government has prescribed the maintenance of Cost Records under Section 209 (1)(d) of the Companies Act, 1956, in respect of manufacture of copper, alluminium conductors and sulphuric acid. We have broadly reviewed the accounts and records of the Company in this connection and are of the opinion that, prima facie; prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate.

(ix) (a) According to the records of the Company, the Company has generally been regular in depositing with appropriate authorities undisputed statutory dues, including Provident Fund, Employees State Insurance, Income-tax, Sales-tax, Wealth tax, Custom Duty, Excise Duty,

Cess and any other statutory dues except Investor Education Protection Fund.

(b) According to the informations and explanations given to us, no undisputed amounts payable in respect of such statutory dues, except Rs. 6.41 millions in respect of Investor Education and Protection Fund, as at 31st March 2004 for a period of more than six months from the date they became payable, which has since been paid.

(c) According to the informations and explanations given to us, the disputed statutory dues aggregating to Rs. 1234.49 millions, that have not been deposited on account of matters pending before appropriate authorities are as under:

| Name of the Statute | Nature of the Dues | Amount (Rs. in millions) | Forum where dispute is pending |
|---|---|---|---|
| Central Excise Act, 1944 | Excise Duty | 192.36 | Commissioner (Appeals) |
| | | 1038.91 | CEGAT |
| Maharashtra Sales Tax Act | Sales Tax | 1.07 | Maharashtra Sales Tax Tribunal, Mumbai |
| Custom Act, 1962 | Custom Duty | 0.35 | CEGAT |
| | | 1.80 | Supreme Court |
| **Total** | | **1234.49** | |

(x) The Company neither has accumulated losses nor it has incurred any cash losses during the current financial year and the immediately preceding financial year.

(xi) Based on our audit procedures and information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to a financial institution, bank or debenture holders.

(xii) According to the information and explanations given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debenture and other securities.

(xiii) In our opinion, the Company is not a chit fund, a nidhi or a mutual benefit society. Therefore, the provisions of clause 4 (xiii) of the Companies (Auditor's Report) Order 2003 is not applicable to the Company.

(xiv) The company has maintained proper records of transactions and contracts in respect of trading in securities and timely entries have been made therein. The investments are held by the Company in its own name except which are bad deliveries pending rectification.

(xv) According the information and explanations given by the management, the Company has given guarantees for loan taken by others from banks without stipulating any terms and conditions and we are unable to comment whether the same is prejudicial to the interest of the company.

(xvi) According to the information and explanation given to us, the Company has not taken any term loans during the year.

(xvii) On the basis of review of utilisation of funds, which is based on overall examinations of the balance sheet of the Company as at 31st March, 2004, related information as made available to us and as represented to us by the management, the funds raised on short term basis by way of borrowing from banks and financial institutions, aggregating to Rs. 5497.92 Millions have been utilised for long term purposes for acquiring fixed assets and investments. All other short term borrowings have not been utilised for long term purpose and vice versa.

(xviii) During the year the Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956.

(xix) During the year, the Company has issued debentures aggregating to Rs. 1000 millions and security has been created in respect of debentures issued.

(xx) During the year covered by our report the company has not raised any money by public issues.

(xxi) According to the informations and explanations given to us, no fraud on or by the Company has been noticed or reported during the year.

| | |
|---|---|
| **For CHATURVEDI & SHAH**<br>***Chartered Accountants*** | **For DAS & PRASAD**<br>***Chartered Accountants*** |
| **D. CHATURVEDI**<br>***Partner***<br>**Membership No. 5611** | **B. N. AGRAWALA**<br>***Partner***<br>**Membership No. 11709** |

**Place : Mumbai**
**Dated : June 14, 2004**

# BALANCE SHEET AS AT 31ST MARCH, 2004

| | Schedule | | As at 31st March, 2004 (Rs. in Millions) | As at 31st March, 2003 (Rs. in Millions) |
|---|---|---|---|---|
| **I. SOURCES OF FUNDS** | | | | |
| **1. Shareholders' Funds** | | | | |
| Share Capital | 1 | 577.74 | | 179.46 |
| Reserves & Surplus | 2 | 13821.73 | | 12360.42 |
| | | | 14399.47 | 12539.88 |
| **2. Loan Funds** | | | | |
| Secured Loans | 3 | 10799.36 | | 13219.17 |
| Unsecured Loans | 4 | 13321.81 | | 4055.30 |
| | | | 24121.17 | 17274.47 |
| **3. Deferred Tax Liability (Net)** (Refer Note No. 29 of Schedule No. 19) | | | 3433.00 | 3538.14 |
| | TOTAL | | 41953.64 | 33352.49 |
| **II. APPLICATION OF FUNDS** | | | | |
| **1. Fixed Assets** | 5 | | | |
| Gross Block | | 21274.53 | | 20182.84 |
| Less : Depreciation and Impairment | | 5990.74 | | 4597.51 |
| Net Block | | 15283.79 | | 15585.33 |
| Capital Work-in-Progress | | 3376.94 | | 1160.16 |
| | | | 18660.73 | 16745.49 |
| **2. Investments** | 6 | | 16125.01 | 11885.43 |
| **3. Current Assets, Loans & Advances** | | | | |
| Inventories | 7 | 3743.41 | | 3490.45 |
| Sundry Debtors | 8 | 3046.15 | | 1725.70 |
| Cash and Bank Balances | 9 | 1638.92 | | 668.00 |
| Loans & Advances | 10 | 5671.76 | | 5744.71 |
| | | 14100.24 | | 11628.86 |
| **Less: Current Liabilities & Provisions:** | 11 | | | |
| Current Liabilities | | 6572.05 | | 6570.99 |
| Provisions | | 371.66 | | 355.16 |
| | | 6943.71 | | 6926.15 |
| Net Current Assets | | | 7156.53 | 4702.71 |
| **4. Miscellaneous Expenditure** (to the extent not written off or adjusted) | | | 11.37 | 18.86 |
| | TOTAL | | 41953.64 | 33352.49 |
| Notes forming part of Accounts | 19 | | | |

**As per our Report of even date**

For **CHATURVEDI & SHAH**
*Chartered Accountants*

**D. CHATURVEDI**
*Partner*

For **DAS & PRASAD**
*Chartered Accountants*

**B.N. AGARWALA**
*Partner*

Place : Mumbai
Dated : 14th June, 2004

**For and on behalf of the Board**

**ANIL AGARWAL**
*Chairman & Managing Director*

**NAVIN AGARWAL**
*Whole Time Director*

**TARUN JAIN**
*Director (Finance)*

**RAMESH VENKAT**
*Chief Financial Officer*

**A.S. KHANDWALA**
*Company Secretary*

# PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2004

| | | Schedule | | Year Ended 31st March, 2004 (Rs. in Millions) | Year Ended 31st March, 2003 (Rs. in Millions) |
|---|---|---|---|---|---|
| I. | **INCOME** | | | | |
| | Turnover and Inter Divisional Transfers | | 48720.44 | | 34064.78 |
| | Less : Inter Divisional Transfers | | 15803.77 | | 10282.56 |
| | Turnover | | 32916.67 | | 23782.22 |
| | Less : Excise Duty Recovered on Sales | | 2218.55 | | 1703.11 |
| | **Net Turnover** | | | 30698.12 | 22079.11 |
| | Other Income | 12 | | 165.00 | 180.01 |
| | Increase/(Decrease) in Stock | 13 | | 46.05 | 891.90 |
| | | TOTAL | | 30909.17 | 23151.02 |
| II. | **EXPENDITURE** | | | | |
| | Manufacturing and other expenses | 14 | | 25815.70 | 17430.77 |
| | Personnel | 15 | | 348.26 | 227.29 |
| | Selling & Distribution | 16 | | 477.62 | 321.27 |
| | Administration & General | 17 | | 136.51 | 679.91 |
| | Interest & Finance charges | 18 | | 1160.19 | 1510.33 |
| | | | | 27938.28 | 20169.57 |
| | Less : Pre operative expenses of projects (net) | | | 81.54 | 20.65 |
| | | | | 27856.74 | 20148.92 |
| | | | | 3052.43 | 3002.10 |
| | Depreciation | | | 1084.02 | 1059.35 |
| | **PROFIT BEFORE EXTRAORDINARY ITEMS AND TAX** | | | 1968.41 | 1,942.75 |
| | **EXTRAORDINARY ITEMS** | | | | |
| | Provision for diminution in Value of Investments. | | 790.00 | | |
| | Advances to Subsidiary Written off | | 475.00 | | |
| | Impairment of Fixed Assets | | 385.00 | | |
| | | | 1650.00 | | |
| | Less : Transferred from General Reserve (Refer Note no. 3 of Schedule 19) | | (1650.00) | – | – |
| | **PROFIT BEFORE TAXATION** | | | 1968.41 | 1,942.75 |
| | Provision for current taxation (Including Wealth Tax Provision Rs.1.08 Millions ) | | | 102.08 | 117.06 |
| | Provision for Deferred taxation | | | (105.13) | 149.02 |
| | **PROFIT AFTER TAXATION** | | | 1971.46 | 1676.67 |
| | Balance brought forward from last Year | | | 4058.23 | 3429.47 |
| | **AMOUNT AVAILABLE FOR APPROPRIATION** | | | 6029.69 | 5106.14 |
| | **APPROPRIATIONS** | | | | |
| | Preference Share Redemption Reserve | | | – | 200.00 |
| | Debenture Redemption Reserve | | | – | 320.00 |
| | Transferred to Debenture Redemption Reserve | | | – | – |
| | General Reserve | | | 300.00 | 300.00 |
| | Dividend on | | | | |
| | Preference Shares | | | 0.16 | 5.00 |
| | Income Tax on Dividend | | | 0.02 | – |
| | Proposed Dividend | | | | |
| | Equity Shares | | | 215.40 | 197.59 |
| | Income Tax on Proposed Dividend | | | 27.60 | 25.32 |
| | Balance carried to the Balance Sheet | | | 5486.51 | 4058.23 |
| | | TOTAL | | 6029.69 | 5106.14 |
| | Earning per Share of Rs. 5/- each (Basic). | (in Rs.) Refer Note No. 28 of Schedule 19 | | 27.47 | 18.99 |
| | Earning per Share of Rs. 5/- each (Diluted) | | | 27.19 | 18.99 |
| | Notes forming part of Accounts | 19 | | | |

**As per our Report of even date**

For **CHATURVEDI & SHAH**
*Chartered Accountants*

**D. CHATURVEDI**
*Partner*

For **DAS & PRASAD**
*Chartered Accountants*

**B.N. AGARWALA**
*Partner*

Place : Mumbai
Dated : 14th June, 2004

**For and on behalf of the Board**

**ANIL AGARWAL**
*Chairman & Managing Director*

**NAVIN AGARWAL**
*Whole Time Director*

**TARUN JAIN**
*Director (Finance)*

**RAMESH VENKAT**
*Chief Financial Officer*

**A.S. KHANDWALA**
*Company Secretary*

# SCHEDULES FORMING PART OF THE BALANCE SHEET

| | As at 31st March, 2004 (Rs. in Millions) | As at 31st March, 2003 (Rs. in Millions) |
|---|---|---|
| **SCHEDULE 1** | | |
| **SHARE CAPITAL :** | | |
| Authorised : | | |
| 120,000,000 (Previous Period 80,000,000) Equity Shares of Rs. 5/- each. | **600.00** | 400.00 |
| 30,000,000 (Previous Period 50,000,000) Preference Shares of Rs.10/- each | **300.00** | 500.00 |
| | **900.00** | 900.00 |
| Issued, Subscribed & Paid up : | | |
| 71,799,620 (Previous Period 35,924,551) Equity Shares of Rs. 5/- each fully paid up. | **359.00** | 179.62 |
| Less : Unpaid Allotment Money/Calls in Arrears (other than Directors) | **0.01** | 0.16 |
| | **358.99** | 179.46 |
| 21,875,000 (Previous Year Nil) 1% Cumulative Redeemable Preference Shares of Rs. 10/- each fully paid up | **218.75** | – |
| TOTAL | **577.74** | 179.46 |

Notes :

1. Of the above equity shares :
   (a) 210,000 Equity Shares were allotted as fully paid up pursuant to a contract without payment being received in cash.
   (b) 42,824,788 Equity Shares were allotted as fully paid up Bonus Shares by way of capitalisation of General Reserve and Share Premium.
   (c) 2,733,675 Equity Shares were allotted pursuant to scheme of Amalgamation without payment being received in cash.
   (d) 20,600 Equity Shares were allotted during the year as fully paid up on conversion of 500 Foreign Currency Convertible Bonds.
   (e) 16,910 Equity Shares were reissued after forfeiture of the same during the year.
2. Of the above Equity Shares, 48,313,780 Equity Shares are held by Company's holding company and subsidiary company of holding company.
3. Refer Note No. 8 of the Schedule 19 in respect of reduction of Issued, Subscribed and Paid-up Capital.
4. 1% Cumulative Redeemable Preference Shares of Rs. 218.75 Millions are redeemable on expiry of 3 years from the date of allotment i.e., 4th March, 2004 with a call option to the Company to redeem the same at any time after expiry of 12 months from the date of allotment at following basis :
   a) Redemption premium Rs. 75.50 per share if redeemed after 12 months but before 24 months from the date of allotment.
   b) Redemption premium Rs. 79 per share if redeemed after 24 months but before 36 months from the date of allotment
   c) Redemption premium Rs. 83.50 per share if redeemed at redemption date.

| | | As at 31st March, 2004 (Rs. in Millions) | As at 31st March, 2003 (Rs. in Millions) |
|---|---|---|---|
| **SCHEDULE 2** | | | |
| **RESERVES & SURPLUS :** | | | |
| Capital Reserve : | | | |
| As per last Balance Sheet | **21.46** | | 21.46 |
| Add : Amount tranferred on Forfeiture of Shares | **1.13** | | – |
| | | **22.59** | 21.46 |
| Preference Share Redemption Reserve : | | | |
| As per last Balance Sheet | **550.00** | | 350.00 |
| Add : Transferred from Profit & Loss Account | – | | 200.00 |
| | | **550.00** | 550.00 |
| Debenture Redemption Reserve : | | | |
| As per last Balance Sheet | **1,300.00** | | 980.00 |
| Add : Transferred from Profit & Loss Account | – | | 320.00 |
| Less : Transferred to General Reserve | **775.00** | | – |
| | | **525.00** | 1300.00 |
| Share Premium Account : | | | |
| As per last Balance Sheet | **5,271.31** | | 8181.16 |
| Add: Received during the Year | **1,553.81** | | – |
| | **6,825.12** | | 8,181.16 |
| Less : Utilised for Issue of Fully paid Bonus Shares | **179.28** | | – |
| Less : Utilised for Buy-back of Equity Shares of the Company (Refer Note No. 8 of Schedule 19) | – | | 2,909.85 |
| | **6,645.84** | | 5271.31 |
| Less : Unpaid Share Premium | **0.29** | | 7.66 |
| | | **6,645.55** | 5,263.65 |

# SCHEDULES FORMING PART OF THE BALANCE SHEET

| SCHEDULE 2 (Continued...) RESERVES & SURPLUS : | | As at 31st March, 2004 (Rs. in Millions) | As at 31st March, 2003 (Rs. in Millions) |
|---|---|---|---|
| Employees Stock Option Outstanding : | | | |
| As per last Balance Sheet | – | | 41.15 |
| Less :- Reversed due to lapse of options | – | | 41.15 |
| | | – | – |
| General Reserve : | | | |
| As per last Balance Sheet | 1,167.08 | | 867.08 |
| Add : Transferred from Debenture Redemption Reserve | 775.00 | | – |
| | 1,942.08 | | 867.08 |
| Less : Transferred to Profit & Loss Account | (1650.00) | | – |
| (Refer to Note No. 3 of Schedule 19) | 292.08 | | 867.08 |
| Add : Transferred from Profit & Loss Account | 300.00 | | 300.00 |
| | | 592.08 | 1,167.08 |
| Profit & Loss Account | | 5486.51 | 4058.23 |
| TOTAL | | 13,821.73 | 12,360.42 |

| SCHEDULE 3 SECURED LOANS : | | |
|---|---|---|
| (A) Redeemable Non Convertible Debentures | 2,251.67 | 4428.24 |
| (B) Floating Rate Notes Due 2007 810 FRNs @ US$ 100,000 each | 3,890.62 | 3944.16 |
| (C) Foreign Currency Loans | 3,882.93 | 3600.07 |
| (D) Term Loans from Banks/Financial Institutions : (Rupee Loans) | – | 53.13 |
| (E) Working Capital Loans from Banks | 774.14 | 1193.57 |
| TOTAL | 10799.36 | 13219.17 |

Notes:

1. Debentures referred at A above are secured by a first charge on pari passu basis in favour of the Trustees for the Debentures on the immovable properties situated at Tuticorin in the State of Tamilnadu; Lonawala and Pune in the State of Maharashtra, Chinchpara in the UT of Dadra & Nagar Haveli and Mouje Chatral of Kalol Taluka, District Gandhinagar, Gujrat.
2. FRNs referred at (B) above are secured by guarantee issued by a Financial Institution which in turn is secured by a first charge on a pari passu basis on all the Company's immovable assets situated at Tuticorin in the State of Tamilnadu and Silvassa in the UT of Dadra & Nagar Haveli.
3. Foreign Currency Loans referred at (C) above are secured by a first charge on a pari passu basis on all the Company's immovable properties situated at Tuticorin in the State of Tamilnadu, and Silvassa in the UT of Dadra & Nagar Haveli and further secured by hypothecation of moveable properties at the above places.
4. Working Capital Loans from Banks are secured by a first charge by way of hypothecation of Company's present and future inventories and book debts. These loans are further secured by a second charge on all the immovable properties of the Company.

| SCHEDULE 4 UNSECURED LOANS : | As at 31st March, 2004 (Rs. in Millions) | As at 31st March, 2003 (Rs. in Millions) |
|---|---|---|
| A. Deferred Sales Tax Liabilities | 421.25 | 329.67 |
| B. Loans from Banks/Financial Institutions | | |
| (i) Foreign Currency Loans | 1089.93 | 724.17 |
| (ii) 1% Foreign Currency Convertible Bonds | 2158.08 | – |
| (iii) Redeemable Non Convertibe Debuntures | 750.00 | 1600.00 |
| (iv) Rupee Loans | 252.62 | 1401.46 |
| C. Buyer's Credit | 8649.93 | – |
| TOTAL | 13321.81 | 4055.30 |

Note :-

1) 49,500 Foreign currency convertible bonds of USD 1000 each are redeemable at premium of USD 180 per bond on October 27, 2008 with option to bondholders to convert the same in 82.4 Equity Shares aggregating to 4,078,800 Equity Shares at any time during the period from December 4, 2003 to September 27, 2008.
2) Loans in B (iv) includes amount of Commercial Paper at the end of the Year of Rs. Nil (Previous Year Rs. 350 Millions). Maximum amount outstanding at any time during the Year is Rs.1200 Millions (Previous Year Rs. 950 Millions).
3) Amount due within one year Rs. 9654.95 Millions (Previous 31.03.2003 Rs. 3728.98 Millions).

**SCHEDULE 5**
**FIXED ASSETS :**

| | GROSS BLOCK (AT COST) | | | | DEPRECIATION | | | | Net Block Before Impairment Loss | Impairment Loss | NET BLOCK | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Nature of Fixed Assests** | **As at 01.04.03** | **Additions** | **Deductions** | **As at 31.03.04** | **Upto 31.03.03** | **For the Year** | **Deductions** | **As at 31.03.04** | **As at 31.03.04** | **As at 31.03.04** | **As at 31.03.04** | **As at 31.03.03** |
| Land | 379.72 | 1.77 | 1.80 | **379.69** | 17.54 | 2.70 | – | **20.24** | **359.45** | – | **359.45** | 362.18 |
| Buildings | 1,096.82 | 188.77 | 14.97 | **1,270.62** | 137.21 | 30.97 | 1.91 | **166.27** | **1,104.35** | – | **1,104.35** | 959.61 |
| Buldings (Leasehold) | 68.56 | – | – | **68.56** | 13.23 | 7.88 | – | **21.11** | **47.45** | – | **47.45** | 55.33 |
| Plant & Machinery | 18,185.67 | 1,100.36 | 228.44 | **19,057.59** | 4,274.25 | 1,002.31 | 69.06 | **5,207.50** | **13,850.09** | **385.00** | **13,465.09** | 13,911.42 |
| Furniture & Fixtures | 98.81 | 3.05 | – | **101.86** | 36.29 | 6.24 | – | **42.53** | **59.33** | – | **59.33** | 62.52 |
| Data Processing Equipment | 128.34 | 21.59 | 0.45 | **149.48** | 62.95 | 20.60 | 0.04 | **83.51** | **65.97** | – | **65.97** | 65.39 |
| Office Equipments | 49.83 | 2.61 | 1.13 | **51.31** | 13.30 | 2.27 | 0.01 | **15.56** | **35.75** | – | **35.75** | 36.53 |
| Electrical Fittings | 122.71 | 15.12 | 0.06 | **137.77** | 28.68 | 5.82 | – | **34.50** | **103.27** | – | **103.27** | 94.03 |
| Vehicles | 52.38 | 16.42 | 11.15 | **57.65** | 14.06 | 5.23 | 4.77 | **14.52** | **43.13** | – | **43.13** | 38.32 |
| **TOTAL** | **20,182.84** | **1,349.69** | **258.00** | **21,274.53** | **4,597.51** | **1,084.02** | **75.79** | **5,605.74** | **15,668.79** | **385.00** | **15,283.79** | **15,585.33** |
| Previous Year | 19,691.89 | 510.81 | 19.86 | 20,182.84 | 3,543.60 | 1,059.35 | 5.44 | 4,597.51 | 15,585.33 | – | 15,585.33 | |
| Capital Work-in Progress | | | | | | | | | | | **3,376.94** | 1,160.16 |

Notes :

1) Land includes lease hold land of Rs. 310.83 Millions (Previous year Rs. 310.83 Millions ). Lease hold land includes Rs. 82.44 Million being the value of Land for which lease deeds are pending execution.

2) Buildings (free-hold) include (a) Cost of Shares of Rs. 750 in Co-op. Housing Society, (b) Cost of shares of Rs. 750 in Co-operative societies representing possession of office premises, (c) A residential flat in the joint names of the Company and one of its Directors.

3) Plant and Machinery include Rs. 37.28 Millions and Rs. 16.75 Millions being the amount spent for laying water pipe line and power line respectively, the ownership of which vests with the State Government Authorities.

4) Depreciation for the year on Buildings (Leasehold) include Rs. 5.9 Millions for earlier years.

5) Addition to Fixed Assets and Capital Work-in-Progress includes Rs. 40.44 Millions (Previous year Rs. 57.92 Millions) on account of Exchange Difference during the year.

# SCHEDULES FORMING PART OF THE BALANCE SHEET

| | | As at 31st March, 2004 (Rs. in Millions) | As at 31st March, 2003 (Rs. in Millions) |
|---|---|---|---|
| **SCHEDULE 6** | | | |
| **INVESTMENTS :** | | | |
| **LONG TERM INVESTMENTS (TRADE) :** | | | |
| **SUBSIDIARY COMPANIES** | | | |
| UNQUOTED FULLY PAID-UP : | | | |
| IN EQUITY SHARES | | | |
| 112,518,495 | (Previous Year 11,25,18,495) of The Bharat Aluminium Co. Ltd of Rs. 10/- each | **5531.77** | 5531.77 |
| 40 | (Previous Year 40) of Monte Cello Corporation BV, The Netherlands *Refer Note no. 3 (i) of Schedule 19 | **1252.28 *** | 2042.28 |
| 50,000 | (Previous Year 50,000) of Sterlite Paper Limited of Rs. 10/- each (including 6 shares of Rs. 10/- each fully paid up, held jointly with nominees) | **0.50** | 0.50 |
| 50,006 | (Previous Year 50,006) of Vedanta Alumina Limited of Rs. 10/- each (including 6 shares of Rs. 10/- each fully paid up, held jointly with nominees) | **0.50** | 0.50 |
| 2,550,000 | (Previous Year 2,550,000 ) of Sterlite Opportunities & Ventures Limited of Rs. 10/- each (including 6 shares of Rs. 10/- each fully paid up, held jointly with nominees) (Refer Note No.13 of Schedule 19) | **510.50** | 25.50 |
| 50,000 | (Previous Year 50,000) Equity shares of Rs.10/- each of Sterlite Copper Limited (including 6 shares of Rs. 10/- each fully paid up, held jointly with nominees) | **0.50** | 0.50 |
| | TOTAL | **7296.05** | 7601.05 |
| IN DEBENTURES | | | |
| 848,600,000 | (Previous Year 411,520,000) Optionally Fully convertible debentures of Sterlite Opportunities & Ventures Limited of Rs. 10/- each | **8486.00** | 4115.20 |
| | | **8486.00** | 4115.20 |
| **OTHERS** | | | |
| QUOTED FULLY PAID-UP : | | | |
| IN EQUITY SHARES | | | |
| 852,370 | (Previous Year 852,370) Equity shares of Rs. 5/- each of Sterlite Optical Technologies Limited (including 12 shares of Rs.5/- each fully paid up, held jointly with nominees) | **51.58** | 51.58 |
| UNQUOTED FULLY PAID-UP : | | | |
| IN PREFERENCE SHARES | | | |
| 2,400,000 | (Previous Year NIL) 8% Cumulative Redeemable Preference shares in India Foils Ltd. of Rs. 100/- each | **240.00** | 0.00 |
| Nil | (Previous Year 17,500) ordinary shares of HK $ 1/- each of Sterlite International Limited ** | – | 0.11 |
| | **(A company under the same management) | **291.58** | 51.69 |

## SCHEDULES FORMING PART OF THE BALANCE SHEET

| SCHEDULE 6 (Continued.) INVESTMENTS : | As at 31st March, 2004 (Rs. in Millions) | As at 31st March, 2003 (Rs. in Millions) |
|---|---|---|
| **LONG TERM INVESTMENTS (Other than Trade)** | | |
| GOVERNMENT & OTHER SECURITIES - UNQUOTED | | |
| 7 Years National Savings Certificates | **0.01** | 0.01 |
| **IN UNITS** | | |
| UNQUOTED FULLY PAID-UP : | | |
| 100 (Previous Year 100) UTI Master gain of Rs. 10/- each ( Rs. 1,000/-) | **–** | – |
| QUOTED FULLY PAID-UP : | | |
| 5,217,261 (Previous Year 11,948,900) Morgan Stanley Growth Fund of Rs. 10/- each | **51.23** | 117.34 |
| TOTAL | **51.24** | 117.35 |
| **CURRENT INVESTMENT** | | |
| **QUOTED FULLY PAID UP EQUITY SHARES** | | |
| 1,162 (Previous Year 1,162) Equity shares of Rs. 10/- each of Indian Aluminium Co. Ltd. | **0.14** | 0.14 |
| *** Bad deliveries pending rectification and net of provision for diminution in value of investment by Rs. 0.12 Millions | | |
| GRAND TOTAL | **16125.01** | 11885.43 |

| | As at 31st March, 2004 (Rs. in Millions) | | As at 31st March, 2003 (Rs. in Millions) | |
|---|---|---|---|---|
| | **Book Value** | **Market Value** | Book Value | Market Value |
| **AGGREGATE VALUE OF :** | | | | |
| Quoted Investments | **102.95** | **130.50** | 169.06 | 122.67 |
| Unquoted Investments | **16022.06** | **–** | 11716.37 | – |

Note :

1. The Following Current Investments were purchased and sold during the year
   (a) Deutsche India Cash Plus Fund (250,180,698 units of Rs. 2567.34 Millions - face value Rs. 10/- each.)
   (b) HSBC Cash Fund (148,942,753 Units of Rs. 1554.43 Millions - face value Rs. 10/- each.)
   (c) Prudential ICICI Liquid Plan (1,778,097,272 Units of Rs. 25620.24 Millions -face value Rs. 10/- each.)
   (d) JM Mutual Fund (39,111,126 Units of Rs. 391.11 Millions - face value Rs. 10/- each.)
   (e) Tata Mutual Fund (196,084,808 Units of Rs. 1980.26 Millions - face value Rs. 10/- each.)
   (f) IL & FS Mutual Fund (155,000,000 Units of Rs. 1550 Millions - face value Rs. 10/- each.)
   (g) HDFC Cash Management Fund (981,345,553 Units of Rs. 10844.98 Millions - face value Rs. 10/- each.)
   (h) Canliquid Mutual Fund (10,868,498 Units of Rs. 121 Millions - face value Rs. 10/- each.)
   (i) Prudential ICICI Mutual Fund (28,421,762 Units of Rs. 438 Millions - face value Rs. 10/- each.)
   (j) Standard Chartered Mutual Fund (45,889,097 Units of Rs. 534.5 Millions - face value Rs. 10/- each.)
   (k) Kotak Mahindra Mutual Fund (2,422,187 Units of Rs. 30 Millions - face value Rs. 10/- each.)
   (l) Birla Mutual Fund (1,780,415 Units of Rs. 30 Millions - face value Rs. 10/- each.)

| SCHEDULE 7 INVENTORIES : | As at 31st March, 2004 (Rs. in Millions) | As at 31st March, 2003 (Rs. in Millions) |
|---|---|---|
| (As taken, valued & certified by the Management) | | |
| Raw Materials | **1309.86** | 1073.63 |
| Work-in-Process | **1803.53** | 1718.45 |
| Finished Goods | **403.85** | 442.87 |
| Stores, Spares, Packing Materials & Others | **226.17** | 255.50 |
| TOTAL | **3743.41** | 3490.45 |
| **SCHEDULE 8** | | |
| **SUNDRY DEBTORS :** | | |
| Unsecured & Considered Good (Subject to confirmation) | | |
| (a) Due for a period exceeding 6 months | **74.16** | 210.66 |
| (b) Others | **2,971.99** | 1515.04 |
| TOTAL | **3046.15** | 1725.70 |

# SCHEDULES FORMING PART OF THE BALANCE SHEET

| SCHEDULE 9<br>CASH AND BANK BALANCES : | | As at 31st March, 2004 (Rs. in Millions) | As at 31st March, 2003 (Rs. in Millions) |
|---|---|---|---|
| Cash on hand | | 1.25 | 1.11 |
| Balance with Scheduled Banks in : | | | |
| (i) Current Accounts including Cheques in hand | | 1163.21 | 155.48 |
| (ii) Deposit Accounts | | 393.87 | 334.10 |
| (iii) Dividend/Debenture/Debenture Interest Accounts | | 80.59 | 177.31 |
| TOTAL | | 1638.92 | 668.00 |
| **SCHEDULE 10**<br>LOANS & ADVANCES (UNSECURED & CONSIDERED GOOD UNLESS OTHERWISE STATED) : | | | |
| Subsidiary Companies (Refer Note no. 3(ii) of Schedule 19) | | 3338.62 | 1919.49 |
| Advances recoverable in cash or in kind or for value to be received | | | |
| – Considered Good | 1369.23 | | 2855.68 |
| – Considered Doubtful | 124.10 | | 169.81 |
| Less : Provision for Doubtful Advances | 124.10 | | 169.81 |
| | | 1369.23 | 2855.68 |
| Balances with Central Excise Authorities | | 636.78 | 641.19 |
| Income Tax - Advance Tax and Tax Deducted at Source (Net) | | 327.13 | 328.35 |
| TOTAL | | 5671.76 | 5744.71 |
| **SCHEDULE 11**<br>CURRENT LIABILITIES & PROVISIONS : | | | |
| 1. Current Liabilities : | | | |
| Acceptances | | 2972.28 | 4296.38 * |
| Sundry Creditors | | | |
| (i) Small scale industrial undertaking(s)** | 2.62 | | 0.48 |
| (ii) Others | 3242.74 | 3245.36 * | 1842.31 |
| Interest accrued but not due on Loans | | 259.73 | 310.33 |
| Investor Education and Protection Fund*** | | | |
| (a) Unclaimed Dividend | 56.80 | | 72.33 |
| (b) Unclaimed Application money received for allotment of securities and due for refund | – | | 1.88 |
| (c) Unclaimed Matured Debentures | 17.40 | | 19.03 |
| (d) Interest Accrued on (a) to (c) above | 20.48 | 94.68 | 28.25 |
| | | 6572.05 | 6570.99 |
| 2. Provisions : | | | |
| Provision for Current Tax | | 102.08 | 117.06 |
| Proposed Dividend Preference Shares and Tax thereon | | 0.18 | - |
| Proposed Dividend Equity Shares | | 215.40 | 197.59 |
| Provision for Tax on Proposed Dividend | | 27.60 | 25.32 |
| Provision for Other Staff Benefit Schemes | | 26.40 | 15.19 |
| | | 371.66 | 355.16 |
| TOTAL | | 6943.71 | 6926.15 |

* Includes dues to Subsidiaries Rs. 290.55 Millions (Previous Year Rs. 407.17 Millions)

** Includes amount outstanding for more than 30 days in case of Raveendran Contractors, Sharda Ceramics and Filments & Windigs India Pvt. Ltd. but the same are within the period of agreed terms.

*** There are no dues to Investor Education and Protection Fund except Rs. 6.41 Millions in respect of unclaimed dividend which has since been paid

## SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT

| | Year Ended 31st March, 2004 (Rs. in Millions) | Year Ended 31st March, 2003 (Rs. in Millions) |
|---|---|---|
| **SCHEDULE 12** | | |
| **OTHER INCOME :** | | |
| Dividend on Current Investments | – | 0.43 |
| Profit on Sale of : Long Term Investments (net) : | 24.68 | – |
| Current Investments (net) | 13.33 | – |
| Interest on | | |
| Long term Investment | – | – |
| Others | 107.89 | 162.54 |
| (Tax Deducted at Source Rs. 18.46 Millions, Previous Year Rs. 25.15 Millions) | | |
| Unclaimed Liablities written back (Net) | 8.04 | – |
| Miscellaneous Income | 11.06 | 17.04 |
| TOTAL | 165.00 | 180.01 |
| **SCHEDULE 13** | | |
| **INCREASE/(DECREASE) IN STOCK :** | | |
| Closing Stock: | | |
| Work-in-Process | 1803.52 | 1718.45 |
| Finished Goods | 403.85 | 442.87 |
| | 2207.37 | 2161.32 |
| Opening Stock: | | |
| Work-in-Process | 1718.45 | 935.01 |
| Finished Goods | 442.87 | 334.41 |
| | 2161.32 | 1269.42 |
| Increase/(Decrease) in Stock: | 46.05 | 891.90 |
| **SCHEDULE 14** | | |
| **MANUFACTURING & OTHER EXPENSES :** | | |
| Raw materials consumed | 23508.36 | 15336.58 |
| Stores & Spares | 454.96 | 296.45 |
| Power, Fuel & Water | 1322.53 | 1216.87 |
| Machinery Repairs | 168.15 | 280.31 |
| Building Repairs | 27.91 | 4.03 |
| Other Repairs | 3.00 | 3.50 |
| Carriage Inward | 35.30 | 34.30 |
| Excise Duty | 6.34 | 30.47 |
| Other Manufacturing Expenses | 289.15 | 228.26 |
| TOTAL | 25815.70 | 17430.77 |
| **SCHEDULE 15** | | |
| **PERSONNEL :** | | |
| Salaries, Wages, Bonus & Commission | 282.60 | 202.62 |
| Contribution to Provident Fund, ESIC and other Funds | 15.01 | 13.99 |
| Employees' Welfare & Other Amenities | 44.73 | 46.66 |
| Employees Stock Option Expenses | – | (41.15) |
| Gratuity | 5.92 | 5.17 |
| TOTAL | 348.26 | 227.29 |

# SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT

| | | Year Ended 31st March, 2004 (Rs. in Millions) | Year Ended 31st March, 2003 (Rs. in Millions) |
|---|---|---|---|
| **SCHEDULE 16** | | | |
| **SELLING AND DISTRIBUTION :** | | | |
| Packing Expenses | | **100.94** | 65.13 |
| Carriage Outward | | **257.89** | 205.57 |
| Commission & Brokerage | | **79.35** | 30.43 |
| Other Expenses | | **39.44** | 20.14 |
| TOTAL | | **477.62** | 321.27 |

| | | | |
|---|---|---|---|
| **SCHEDULE 17** | | | |
| **ADMINISTRATION & GENERAL :** | | | |
| Rent | | **2.54** | 1.39 |
| Rates & Taxes | | **10.20** | 7.37 |
| Insurance | | **35.92** | 32.47 |
| Conveyance & Travelling Expenses | | **42.17** | 42.04 |
| Loss on sale/discarding of Fixed Assets (net) | | **159.91** | 0.22 |
| Loss on sale of Current Investments (net) | | **–** | 17.35 |
| Foreign Exchange Difference (net) | | **(544.91)** | 241.34 |
| Directors' Sitting Fees | | **0.28** | 0.22 |
| Bad Debts and Advances : | | | |
| For the year | **58.38** | | |
| Less : Adjusted against Provision for Doubtful Debts and Advances | **(55.36)** | **3.02** | 15.05 |
| Provision for Doubtful debts/advances | | **10.02** | 6.72 |
| Provision for Diminution in the Value of Current Investments | | **–** | 0.12 |
| General Expenses | | **409.87** | 306.08 |
| Misc. Expenditure Written Off | | **7.49** | 9.54 |
| TOTAL | | **136.51** | 679.91 |

| | | |
|---|---|---|
| **SCHEDULE 18** | | |
| **INTEREST & FINANCE CHARGES (Net) :** | | |
| On Debentures and Fixed Loans | **560.60 *** | 788.25 |
| Others | **461.19** | 702.51 |
| Bank charges | **209.56** | 126.05 |
| | **1231.35** | 1616.81 |
| Less : Interest Received from Customers (Tax Deducted at Source Rs. 13.07 Millions, Previous Year Rs. 3.5 Millions) | **71.16** | 106.48 |
| | **1160.19** | 1510.33 |

* Net of coupon only swap income of Rs. 71.99 Millions

**SCHEDULE 19**

**NOTES FORMING PART OF THE ACCOUNTS :**

1. Statement of significant accounting policies :

(a) Basis of Accounting :

The Financial Statements are prepared as a going-concern under historical cost convention on an accrual basis except those with significant uncertainty and in accordance with the Companies Act, 1956. Accounting policies not stated explicitly otherwise are consistent with generally accepted accounting principles.

(b) Use of Estimates :

The presentation of financial statements requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual results and the estimates are recognised in the period in which the results are known/materialised.

(c) Borrowing Cost :

Borrowing Cost attributable to the acquisition or construction of qualifying assets are capitalised as part of the cost of such assets upto the date when such assets are ready for intended use. Other borrowing costs are charged as expense in the year in which they are incurred.

(d) Fixed Assets :

Fixed Assets are stated at cost (net of modvat/cenvat) less accumulated depreciation.

(e) Expenditure During Construction Period :

All pre-operative project expenditure (net of income accrued) incurred upto the date of commercial production is capitalised.

(f) Depreciation :

(i) Depreciation has been provided on Fixed Assets on straight line method at the rates and in the manner specified in Schedule XIV of the Companies Act, 1956.

(ii) Amortisation of leasehold land and buildings has been done in proportion to the period of lease.

(iii) Fixed Assets where ownership vests with the Government/Local authorities are amortised at the rate of depreciation specified in Schedule XIV of the Companies Act, 1956.

(iv) Depreciation has been provided over the residual life of the respective fixed assets for additions arising on account of translation of foreign currency liabilities for acquisition of fixed assets.

(g) Investments :

Long term investments are carried at cost. Current investments are carried at the lower of costs and quoted/fair value. Provision for diminution in the value of long term investments is made only if such a decline is other than temporary.

(h) Inventories :

(i) Inventories are valued at lower of cost or net realisable value except for scrap and by-products which are valued at net realisable value.

(ii) Cost of inventories of finished goods and work-in-process includes material cost, cost of conversion and other costs.

(iii) Cost of inventories of raw material and material cost of finished goods and work-in-progress is determined on First In First Out (FIFO) basis except stores and spare parts which are valued at weighted average cost.

(i) Premium on Redemption of Debentures :

Premium on redemption of debentures is provided for on a pro-rata basis over the tenure of the debentures.

(j) Foreign Currency Transactions :

(i) Transactions denominated in foreign currency are recorded at the exchange rate prevailing on the date of transaction. The exchange differences arising on the settlement of foreign currrency transactions are recognised in the revenue accounts, except those pertaining to the fixed assets which are adjusted to the cost of such fixed assets.

(ii) Monetary items denominated in foreign curriencies at the year end and not covered by forward exchange contracts are translated at year end rates and those covered by forward exchange contracts are translated at the rate ruling at the date of transaction as increased/decreased by the proportionate difference between the forward rate and exchange rate on the date of transaction, such difference having been recognised over the life of the forward contract.

(iii) Non-Monetary items denominated in foreign currencies at the year end are carried at cost.

(k) Issue Expenses :

Expenses of Debenture/Bond/FRN etc. issues pertaining to the projects are considered as pre-operative expenditure. Expenses of Debenture/Bond/FRN issues relating to other uses incurred upto March 31, 2003 are amortised over a period of ten years/tenure of the instruments and the expenses incurred after Mar 31, 2003 are charged to Profit & Loss Account in the year in which they are incurred.

(l) Turnover :

Turnover includes sale of goods, services, scrap, excise duty, export incentives and are net of sales tax, rebates and discounts.

(m) Retirement Benefits :

Contribution to Provident Fundand Superannuation Fund are accounted on actual liability basis. Gratuity and leave encashment liabilities are accounted for on the basis of acturial valuation.

(n) Import Entitlements :

The Company is entitled to import duty free raw materials under advance licences issued to the Company under the Duty Exemption Scheme or claim duty drawbacks on export of the goods manufactured by it. Wherever export sales are made by the Company or goods produced exclusively for export, pending receipt of imported duty-free raw materials, the higher cost of domestic raw materials actually consumed for the purpose of such exports/production is adjusted by accruing the value of Company's entitlement to import duty-free raw materials.

(o) Import of copper concentrate and export of slime :

In accordance with the prevailing international market practice, purchase of Copper Concentrate and export of Slimes are accounted for on provisional invoice basis pending final invoice in terms of Purchase Contract/ Sales Contract respectively.The cases where quotational period price are not finalised as at the year end are restated at LME/LMBA rates as on the date of year end.

(p) Hedging :

The cost and gains/losses arising on account of hedging transactions undertaken to minimise the price risk of the non ferrous and precious metals are adjusted to the cost of raw material.

(q) Provision for Current and Deferred Tax: :

Provision for current tax is made after taking into consideration benefits admissible under the provisions of the Income Tax Act, 1961.

Deferred tax resulting from "timing differences" between book and taxable profit is accounted for using the tax rates and laws that have been enacted or substantively enacted as on the balance sheet date. The deffered tax asset is recognised and carried forward only to the extent that there is reasonable/virtual certainty that asset will be realised in future.

2. Capital Work-in-Progress includes :

| | **Current Year (Rs. in Millions)** | Previous Year (Rs. in Millions) |
|---|---|---|
| a. Advances for Capital expenditure | **219.91** | 463.21 |
| b. Pre-operative expenditure as follows :- | | |
| Opening Balance | **39.86** | 19.21 |
| Add : Pre-operative expenditure transferred from Profit & Loss Account | **81.54** | 20.65 |
| Interest, commitment & finance charges | **108.80** | 3.95 |
| | **230.20** | 43.81 |
| Less : Transferred to Vedanta Alumina Limited | **45.16** | - |
| | **185.04** | 43.81 |
| Less : Capitalised during the year | **71.72** | 3.95 |
| | **113.32** | 39.86 |

3. (i) In view of significant uncertainity as to whether Copper Mines of Tasmania Pty Ltd. (CMT, a wholly owned subsidiary of Monte Cello BV) will be able to continue as a going concern as reported by the auditors of CMT, a provision of Rs. 790 Millions has been made for diminution in value of investment in Monte Cello BV.

(ii) During the year, assets of Sterlite Paper Limited (SPL, a wholly owned subsidiary) has been impaired by Rs. 475 Millions, accordingly, equivalent amount of advances due from SPL, representing the value of assets of the paper project spun off by the Company as on 25th June, 1999, has been written off.

(iii) The Lonavala and Sanaswadi Units of the Company are not in operation since 1998 and 2000 respectively. In compliance with the Accounting Standard-28 "impairment of assets", a provision for impairment amounting to Rs. 80 Millions and 305 Millions have been made for plant and machineries at Lonawala and Sanaswadi Units respectively

(iv) As per the opinion obtained by the Company, the items referred to in Para (i), (ii) and (iii) above have been presented as extraordinary items and an equivalent amount (aggregating to Rs. 1650 Millions) has been withdrawn from the general reserves, which is credited to Profit and Loss Account.

**4.** Payment to Auditors comprise of :

| | Current Year (Rs. in Millions) | Previous Year (Rs. in Millions) |
|---|---|---|
| (a) Statutory Auditors : | | |
| Audit fees | **2.38** | 2.16 |
| Other services - Tax Audit fees | **0.65** | 0.54 |
| Others | **0.27** | 0.21 |
| Out of pocket expenses | **0.21** | 0.43 |
| | **3.51** | 3.34 |
| (b) Cost Auditors : | | |
| Cost Audit fees | **0.02** | 0.04 |
| | **0.02** | 0.04 |

| **5.** Managerial Remuneration : | Current Year (Rs. in Millions) | Previous Year (Rs. in Millions) |
|---|---|---|
| (i) Salary | **22.04** | 13.27 |
| (ii) Contribution to Provident Fund | **1.94** | 1.59 |
| (iii) Commission | **14.66** | 17.19 |
| (iv) Other Benefits | **5.60** | 4.40 |
| | **44.24** | 36.45 |

| Computation of net profit in accordance with Section 309(5) of the Companies Act, 1956 : | Current Year (Rs. in Millions) | Previous Year (Rs. in Millions) |
|---|---|---|
| Profit before taxation | **1968.41** | 1942.75 |
| Add : Depreciation as per Accounts | **1084.02** | 1059.35 |
| Loss on sale of assets | **159.91** | 0.22 |
| Loss on sale of current investments (including provision for diminution in value of current investment) | | 17.47 |
| Managerial Remuneration to: Chairman & Managing Director, Wholetime Director and Other Directors | **44.24** | 36.45 |
| | **3256.58** | 3056.24 |
| Less : Depreciation under Companies Act, 1956 | **1084.02** | 1059.35 |
| Profit on sale of investments | **38.01** | – |
| Advances to Subsidiary written off | **475.00** | – |
| Net Profit for the year | **1659.55** | 1996.89 |
| Commission to : | | |
| Commission maximum as per terms of appointment | **67.57** | 89.94 |
| Commission as determined by the Board of Directors | **14.66** | 17.19 |

**6.** The expense on account of exchange difference on outstanding forward exchange contracts to be recognised in the Profit & Loss Account of subsequent accounting Year aggregate to Rs. 327.53 Millions (Previous Year Rs. 573.65 Millions).

**7.** General Expenses includes contribution of Rs. 55 Millions to "Public and Political Awareness Trust".

**8.** In terms of Scheme of Arrangement (Scheme) as approved by the Hon'ble High Court of Judicature at Mumbai, vide its order dated 19th April, 2002 :

(a) The Company purchased 20,068,004 equity shares of Rs. 5/- each from the shareholders and the same were cancelled in the year 2002-2003.Accordingly, the issued, subscribed and paid up equity shares of the company was reduced by Rs. 100.34 Millions.

(b) In consideration for the above, the company paid in the year 2002-2003 Rs. 150/- for each equity share by way of Rs. 100/- in cash and issue of 5 Secured Redeemable Non-convertible Debentures of Rs. 10/- each. The excess of purchase consideration over the face value of shares purchased was adjusted to the share premium account.

(c) The Company will be making further application to the Hon'ble High Court to cancel and consequently reduce 96,776 equity shares of Rs. 5/- each purchased under the direction of the court from shareholders during the specified period. These Shares are pending for clearance from NSDL/CDSL. In view thereof, no bonus shares were issued to such shareholders during the year.

(d) An appeal was filed against the Order of Hon'ble High Court of Judicature at Mumbai dated 19th April, 2002 with the division bench of the same court which was inter alia dismissed. SEBI and Department of Company Affairs have since filed a special leave petition in Hon'ble Supreme Court against the judgement. Though the same has been admitted, no stay has been granted.

**9.** In Accordance with the amendments to Clause 32 of Listing Agreement, Advance(s) in the nature of Loan is/are as under :

(As Certified by the Management)

(a) **Loans & Advances in the nature of Loans** **(Rs. in Millions)**

| **Name of the Company** | | **Balance as at 31st March, 2004** | **Maximum Amount Outstanding during the Year** | Balance as at 31st March, 2003 |
|---|---|---|---|---|
| Monte Cello BV | Subsidiary | 443.01 | 509.68 | 230.59 |
| Sterlite Opportunities & Ventures Limited | Subsidiary | 192.63 | 1903.90 | Nil |
| Sterlite Copper Limited | Subsidiary | 0.03 | 0.03 | Nil |

(b) None of the loanees have made, per se, investment in the shares of the Company.

**Notes :**

(i) The above loans & advances to subsidiary fall under the category of loans & advances in the nature of loans where there is no repayment schedule. The loan is free of interest.

(ii) Inter Corporate Deposits are not considered as they are repayable on demand and interest is charged at market rate.

(iii) As per the Company's policy, loan to employees and loan to Employee Welfare Trust are not considered in (a) above.

**10.** In connection with a guarantee facility obtained by Sterlite Opportunities & Ventures Limited (SOVL) from ICICI Bank in favour of trustees for Secured Non-Convertible Debentures of Rs. 2,500 Millions issued by SOVL during the year the Company granted an option to the ICICI Bank to require the company to purchase all the receivables under the guarantee agreement that arise during the currency of the facility.

**11.** The Alumina Refinery project of Company at Lanjigarh, Orissa will be implemented by Vedanta Alumina Ltd. (Formerly, Sterlite Transmission Limited), a wholly owned subsidiary company and accordingly, assets including plant and machinery, civil constructions etc, liabilities and advances made to contractors/suppliers in respect of the project have been transferred to Vedanta Alumina Ltd during the year.

**12.** In compliance with Accounting Standard-26 Intangible Assets, expenses incurred in connection with the issue of Foreign Currency Convertible Bonds amounting to Rs. 51.81 Millions have been charged to Profit & Loss Acccount during the year as against amortising the same over the tenure of the Bonds. This change in accounting policy has resulted in reduction in profit for the year by Rs. 33.22 Millions (net of taxes)

**13.** During the Year, the company has paid an additional amount of Rs. 485 Millions towards acquisition of equity shares of Sterlite Opportunities and Ventures Ltd., which is now a wholly owned subsidiary company.

**14.** In view of sharp fluctuation in LME/LMBA prices of Copper, Gold and Silver during the year the company has reinstated the cost of purchase of copper concentrate and export of slime at closing LME rate of Copper and LMBA rate of precious metals in those cases where quotational period price is not finalised as at year end as against the earlier practice of accounting these on provisional invoice basis only. This has resulted in increase in turnover, consumption of copper concentrate and inventory by Rs. 8.27 Millions, Rs. 559.55 Millions and Rs. 162.99 Millions respectively and decrease in profit for the year by Rs. 248.99 Millions (net of taxes).

**15.** The Debentures referred to in Schedule 3 of Balance Sheet at A are due for redemption as follows :

13.25% debentures on 30th June, 2004 of Rs. 235 Millions; 13.25% debentures on 30th June, 2004 of Rs. 133.33 Millions and on 30th June, 2005 of Rs. 133.34 Millions; 12.25% debentures on 30th Jan, 2005 of Rs. 500 Millions; 11.83% debentures on 1st Feb., 2005 of Rs. 250 Millions; 7.87% debentures on 10th April, 2010 of Rs. 400 Millions; 8% debentures on 10th April, 2013 of Rs. 600 Millions

**16.** The 7% Debentures referred to in Schedule 4 of Balance Sheet at B(iii) are due for redemption on 12th April, 2004.

17. **DETAILS REGARDING LICENCED AND INSTALLED CAPACITY AND ACTUAL PRODUCTION (AS CERTIFIED BY THE MANAGEMENT)**

A. **CAPACITY**

| Description | | Unit | Licenced Capacity Current Year | Licenced Capacity Previous Year | Installed Capacity Current Year | Installed Capacity Previous Year |
|---|---|---|---|---|---|---|
| 1 | Continuous Cast Copper Rod | MT | **N.A.** | N.A. | **196,000** | 196,000 |
| 2 | Copper Cathodes | MT | **N.A.** | N.A. | **165,000** | 165,000 |
| 3 | Aluminium Cold Rolled Products | MT | **N.A.** | N.A. | **20,000** | 20,000 |
| 4 | Phosphoric Acid | MT | **N.A.** | N.A. | **125,000** | 125,000 |
| 5 | Sulphuric Acid | MT | **N.A.** | N.A. | **435,000** | 435,000 |
| 6 | Power Transmission Line Aluminium Conductors (AAC/ACSR) | MT | **N.A.** | N.A. | **59,580** | 43,300 |
| 7 | (I) Aluminium Ingots | MT | **N.A.** | N.A. | **–** | – |
| | (I) Alumina | MT | **N.A.** | N.A. | **–** | – |

N.A. - Delicensed vide notifiication No. 477(E) dated 27th July, 1991

B. **PRODUCTION**

| Description | | Unit | Current Year Quantity | Previous Year Quantity |
|---|---|---|---|---|
| 1 | Continuous Cast Copper Rod * | MT | **122,713** | 95,127 |
| 2 | Copper Cathodes | MT | **178,654** | 155,699 |
| 3 | Power Transmission Line Aluminium Conductors (AAC/ACSR) Curent Year 83774 KM Previous Year 42263 KM | MT | **40,708** | 23,714 |
| 4 | Sulphuric Acid | MT | **541,721** | 482,087 |
| 5 | Phosphoric Acid | MT | **117,614** | 109,384 |

* Production includes 744 MT (Previous year Nil) Produced on job work.

18. **QUANTITATIVE INFORMATION IN RESPECT OF OPENING STOCK, CLOSING STOCK, TURNOVER AND CONSUMPTION OF RAW MATERIALS (AS CERTIFIED BY MANAGEMENT)**

A. **OPENING STOCK**

| Description | Unit | Current Year Quantity | Current Year Value (Rs. in Millions) | Previous Year Quantity | Previous Year Value (Rs. in Millions) |
|---|---|---|---|---|---|
| Continuous Cast Copper Rod | MT | **199** | **21.72** | 758 | 70.58 |
| Copper Cathodes | MT | **1,795** | **185.72** | 1,509 | 134.94 |
| Power Transmission Line Aluminium Conductors(AAC/ACSR) Current Year 1166 KM, Previous Year 691 KM | MT | **1,432** | **99.26** | 1,335 | 83.77 |
| Sulphuric Acid | MT | **4,743** | **4.80** | 12,712 | 7.63 |
| Phosphoric Acid | MT | **9,137** | **131.37** | 2,556 | 36.96 |
| Others | | | **–** | | 0.53 |
| | | | **442.87** | | 334.41 |

B. **CLOSING STOCK**

| Description | Unit | Current Year Quantity | Current Year Value (Rs. in Millions) | Previous Year Quantity | Previous Year Value (Rs. in Millions) |
|---|---|---|---|---|---|
| Continuous Cast Copper Rod | MT | **968** | **159.70** | 199 | 21.72 |
| Copper Cathodes | MT | **206** | **33.33** | 1,795 | 185.72 |
| Power Transmission Line Aluminium Conductors/(AAC/ACSR) Current Year 2544 KM, Previous Year 1167 KM | MT | **774** | **76.21** | 1,432 | 99.26 |
| Sulphuric Acid | MT | **10,775** | **6.20** | 4,743 | 4.80 |
| Phosphoric Acid | MT | **9,499** | **128.41** | 9,137 | 131.37 |
| | | | **403.85** | | 442.87 |

**C. TURNOVER & INTER DIVISIONAL TRANSFER**

| Description | Unit | Current Year Quantity | Current Year Value (Rs. in Millions) | Previous Year Quantity | Previous Year Value (Rs. in Millions) |
|---|---|---|---|---|---|
| Continuous Cast Copper Rod | MT | **121,200** | **15477.68** | 95,686 | 11,249.75 |
| Copper Cathodes @ | MT | **180,243** | **21617.46** | 155,413 | 15,121.18 |
| Power Transmission Line Aluminium Conductors/(AAC/ACSR) | MT | **41,366** | **3677.79** | 23,617 | 2,163.26 |
| Current Year 82396 KM, Previous Year 41787 KM | | | | | |
| Sulphuric Acid # | MT | **535,689** | **703.71** | 490,056 | 523.12 |
| Phosphoric Acid | MT | **117,252** | **1711.72** | 102,803 | 1,509.78 |
| Anode Slime | | **–** | **3171.65** | – | 1,593.68 |
| Export Benefits | | | **2167.43** | | 1,842.06 |
| Others | | | **193.00** | | 61.96 |
| | | | **48,720.44** | | 34,064.79 |

'@ Including 122441 MT (Previous Year 95,355 MT) valued at Rs. 15399.06 Millions (Previous Year Rs. 9985.05 Millions) sold to other division of the Company.

\# Including 324809 MT (Previous Year 294,274 MT) valued at Rs. 404.71 Millions (Previous Year Rs. 297.51 Millions) sold to other division of the Company.

**D. RAW MATERIAL CONSUMED**

| Description | Unit | Current Year Quantity | Current Year Value | Previous Year Quantity | Previous Year Value |
|---|---|---|---|---|---|
| Copper Concentrate | MT | **599,792** | **18,978.75** | 524,917 | 12,264.95 |
| Aluminium (sheets/wire rod) | MT | **31,465** | **2,505.22** | 14,894 | 1,175.57 |
| Rock Phosphate | MT | **386,785** | **1,397.27** | 360,853 | 939.42 |
| Others | | | **627.12** | | 956.64 |
| | | | **23,508.36** | | 15,336.58 |

| **19. CIF VALUE OF IMPORTS** | **Current Year (Rs. in Millions)** | Previous Year (Rs. in Millions) |
|---|---|---|
| Raw materials | **19,364.43** | 13,159.55 |
| Stores & Spares | **107.59** | 101.01 |
| Capital Goods | **997.22** | 49.05 |
| **20. EXPENDITURE IN FOREIGN CURRENCY** | | |
| Technical Service Charges | **14.13** | 9.97 |
| Interest | **551.14** | 278.97 |
| Professional Fees | **262.02** | 59.81 |
| Others | **23.13** | 126.23 |
| | **850.42** | 474.98 |
| **21. EARNING IN FOREIGN CURRENCY** | | |
| (a) FOB Value of Exports | **11,760.54** | 6,541.35 |
| (b) Others | **112.99** | 118.33 |
| | **11,873.53** | 6,659.68 |

**22. PARTICULARS OF DIVIDEND PAID TO NON RESIDENT SHAREHOLDERS**

| | | |
|---|---|---|
| Year to which Dividend relates | 31st March, 2003 | 31st March, 2002 |
| Number of Shareholders | 1 | 517 |
| Number of Shares held | 19,805,550 | 19,998,764 |
| Amount Remitted-Gross (Rs. in Millions) | 108.93 | 94.99 |

**23. VALUE OF RAW MATERIALS CONSUMED**

| | Current Year (Rs. in Millions) | Current Year % of total consumption | Previous Year (Rs. in Millions) | Previous Year % of total consumption |
|---|---|---|---|---|
| Indigenous | **2,343.78** | **10%** | 1,269.59 | 8% |
| Imported | **21,164.58** | **90%** | 14,066.99 | 92% |
| | **23,508.36** | | 15,336.58 | |

**24. VALUE OF COMPONENTS, STORES & SPARES PARTS CONSUMED**

| | Current Year (Rs. in Millions) | Current Year % of total consumption | Previous Year (Rs. in Millions) | Previous Year % of total consumption |
|---|---|---|---|---|
| Indigenous | **340.82** | **75%** | 218.87 | 74% |
| Imported | **114.14** | **25%** | 77.58 | 26% |
| | **454.96** | | 296.45 | |

**25. CONTINGENT LIABILITIES**

| | As at 31st March, 2004 (Rs. in Millions) | As at 31st March, 2003 (Rs. in Millions) |
|---|---|---|
| (a) Estimated amount of contracts remaining to be executed on Capital Account and not provided for (net of advances) | **179.51** | 2,677.30 |
| (b) Disputed liabilities in appeal : | | |
| (i) Income Tax | **–** | 228.38 |
| (ii) Sales Tax | **1.07** | 1.57 |
| (iii) Excise Duty (net of modvatable excise duty on interunit transfers) | **404.85** | 312.42 |
| (c) Claims against the Company not acknowledged as debts | **3.29** | 1.96 |
| (d) Unexpired Letters of Credit | **3,206.49** | 3,161.11 |
| (e) Bank Guarantees | **2,420.84** | 1,584.83 |
| (f) Bill Discounted | **242.81** | 1,167.50 |

(g) The Company has given Corporate Guarantees to Banks/Financial Institutions on behalf of Madras Aluminium Company Limited and India Foils Limited. The outstanding amount is Rs. 2855 Millions (Previous Year Rs. 3345 Millions) on this account as on year end.

26 SEGMENT INFORMATION AS PER ACCOUNTING STANDARD 17 ON SEGMENT REPORTING FOR THE YEAR ENDED 31ST MARCH, 2004.

**I) Information about Primary Business Segments.**

(Rs. in million)

| Particulars | Business Segments | | | | Unallocated | | Eliminations | | Grand Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Copper | | Others | | | | | | | |
| | **Current Year** | Previous Year | **Current Year** | Previous Year | **Current Year** | Previous Year | **Current Year** | Previous Year | **Current Year** | Previous Year |
| **Revenue** | | | | | | | | | | |
| External Turnover | **27481.89** | 20096.25 | **5434.78** | 3685.97 | – | – | – | – | **32916.67** | 23782.22 |
| Inter-Segment Turnover | **404.71** | 297.51 | – | – | – | – | **(404.71)** | (297.51) | – | – |
| Intra-Segment Turnover | **15399.06** | 9985.05 | – | – | – | – | **(15399.06)** | (9985.05) | – | – |
| **Gross Turnover** | **43285.66** | 30378.81 | **5434.78** | 3685.97 | – | – | **(15803.77)** | (10282.56) | **32916.67** | 23782.22 |
| Less : Excise Duty Recovered on Sales | **1814.13** | 1475.54 | **404.42** | 227.57 | – | – | – | – | **2,218.55** | 1,703.11 |
| **Total Revenue** | **41471.53** | 28903.27 | **5030.36** | 3458.40 | – | – | **(15803.77)** | (10282.56) | **30698.12** | 22079.11 |
| **Results** | | | | | | | | | | |
| Segment Result | **3365.25** | 3590.50 | **60.44** | 99.60 | – | – | – | – | **3425.69** | 3690.10 |
| Unallocated Expenses | – | – | – | – | **462.09** | 417.03 | – | – | **462.09** | 417.03 |
| **Operating Profit/(loss)** | **3365.25** | 3590.50 | **60.44** | 99.60 | **(462.09)** | (417.03) | – | – | **2963.60** | 3273.07 |
| Less : Interest Expenses (net) | – | – | – | – | **1160.19** | 1510.33 | – | – | **1160.19** | 1510.33 |
| Add : Other Income | **25.19** | 7.06 | **4.96** | 10.41 | **134.85** | 162.54 | – | – | **165.00** | 180.01 |
| Less : Income Tax (including Deferred Tax) | – | – | – | – | **(3.05)** | 266.08 | – | – | **(3.05)** | 266.08 |
| **Net Profit/(Loss)** | **3390.44** | 3597.56 | **65.40** | 110.01 | **(1484.38)** | (2030.90) | – | – | **1971.46** | 1676.67 |
| **Other Information** | | | | | | | | | | |
| **Segment Assets** | **26420.19** | 22151.88 | **4589.17** | 4709.83 | – | – | – | – | **31009.36** | 26861.71 |
| Unallocated Corporate Assets | – | – | – | – | **17887.99** | 13416.93 | – | – | **17887.99** | 13416.93 |
| **Total Assets** | | | | | | | | | | |
| **Segment Liabilities** | **5759.03** | 5616.12 | **499.65** | 676.48 | – | – | – | – | **6258.68** | 6292.60 |
| Unallocated Corporate liabilities | – | – | – | – | **28239.20** | 21446.14 | – | – | **28239.20** | 21446.14 |
| **Total Liabilities** | | | | | | | | | | |
| **Capital Expenditure** | **3417.84** | 861.33 | **220.94** | 199.03 | **163.67** | 4.43 | – | – | **3802.45** | 1064.79 |
| **Depreciation** | **872.48** | 852.06 | **194.55** | 198.80 | **16.99** | 8.49 | – | – | **1084.02** | 1059.35 |
| **Non-cash Expenditure (excl. depreciation)** | **5.60** | 5.46 | **0.84** | 0.00 | **14.09** | 39.87 | – | – | **20.53** | 45.33 |

Notes:

(a) The Company has disclosed business segment as primary segment. Segments have been identified and reported taking into account, the different risks and returns, the organisation structure and the internal reporting systems. The main business segment is Copper which consist of manufacturing of copper cathode and continuous cast copper rod. Other business segment comprise of Aluminium Conductor, Aluminium Foils and Phosphoric Acid.

(b) Segment Revenue, Results, Assets and Liabilities include the respective amounts identifiable to each of the segments and amount allocated on a reasonable basis. Unallocated expenditure consist of common expenditure incurred for all the segments and expenses incurred at corporate level. The assets and liabilities that can not be allocated between the segments are shown as unallocated corporate assets and liabilities respectively.

(c) During the year, segmental assets of Copper and Others have been impaired to the extent of Rs. 870 Millions and Rs. 305 Millions respectively and accordingly segmental assets are net of such impairments.

**II) Information about secondary segment**

**Geographical Segment**

(Rs. in Millions)

| | **Current Year** | Previous Year |
|---|---|---|
| Revenue by geographical segment- Turnover | | |
| India | 21,079.63 | 17,255.33 |
| Outside India | 11,837.04 | 6,526.89 |
| **Total** | **32,916.67** | **23,782.22** |
| Carrying Amount of Segment Assets | | |
| India | 47,202.06 | 38,005.85 |
| Outside India | 1,695.29 | 2,272.80 |
| **Total** | **48,897.35** | **40,278.65** |
| Capital Expenditure | | |
| India | 3,802.45 | 1,064.79 |
| Outside India | – | – |
| **Total** | **3,802.45** | **1,064.79** |

## 27. RELATED PARTY DISCLOSURES

**List of related parties and relationships**

i) **Entities Controlling the Company (Holding Companies)**
Twinstar Holding Limited
Vedanta Resources Holdings Limited
Vedanta Resources plc.

ii) **Fellow Subsidiary**
The Madras Aluminium Company Limited

iii) **Subsidiaries**
Bharat Aluminium Company Limited
Sterlite Paper Limited
Copper Mines of Tasmania Pty Limited
Thalanga Copper Mines Pty Limited
Montecello BV
Vedanta Alumina Limited (Formerly, Sterlite Transmission Limited)
Sterlite Opportunities & Ventures Limited
Sterlite Copper Limited
Hindustan Zinc Limited

iv) **Associates**
Sterlite International Limited
Sterlite Optical Technologies Limited (Till December, 2003)

v) **Key Managerial Personnel**
Shri Anil Agarwal
Shri Navin Agarwal
Shri Tarun Jain
Shri C V Krishnan (Till October 4, 2003)

vi) **Relatives of Key management Personnel**

| | |
|---|---|
| Shri Dwarka Prasad Agarwal | Relative of Shri Anil Agarwal and Shri Navin Agarwal |
| Smt. Rajni Jain | Relative of Shri Tarun Jain |
| Smt. Vijaya Krishnan | Relative of Shri C V Krishnan |

vii) **Transaction During the year with related parties** **(Rs. in Millions)**

| S. No. | Particulars | Holding Companies | | Fellow Subsidiary | | Subsidiaries | | Associates | | Key Management Personnel | | Relative of Key Managerial Personnel | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Current Year | Previous Year | Current Year | Previous Year | Current Year | Previous Year | Current Year | Previous Year | Current Year | Previous Year | Current Year | Previous Year | Current Year | Previous Year |
| 1 | Advances Recoverable in Cash or in Kind | | | | | | | | | | | | | | |
| | a Given/ (Received) During the year | **32.19** | – | **0.73** | – | **1,033.87** | (37.55) | **308.70** | 0.40 | – | (15.00) | **(1.17)** | 15.00 | **1374.32** | (37.15) |
| | b Balance as at 31st March, 2004 | **32.19** | – | **0.09** | 0.19 | **3,338.62** | 1919.49 | **73.88** | – | – | – | **15.00** | 16.17 | **3459.78** | 1935.85 |
| 2 | Investments made during the year | – | – | – | – | **4,855.80** | 4121.19 | – | 51.57 | – | – | – | – | **4855.80** | 4172.76 |
| 3 | Creditors (including acceptances) Balance as at 31st March, 2004 | **87.20** | – | – | 0.44 | **290.55** | 407.17 | – | – | – | – | – | – | **377.75** | 407.61 |
| 4 | Receivables Balance as at 31st March, 2004 | – | – | **35.01** | 11.16 | **87.20** | – | **0.03** | – | – | – | – | – | **122.24** | 11.16 |
| 5 | Income | | | | | | | | | | | | | | |
| | a Sales | – | – | **0.71** | 0.28 | **0.29** | 0.29 | **0.03** | 19.44 | – | – | – | – | **1.03** | 20.01 |
| | b Rent | – | – | **1.75** | 1.31 | – | – | – | – | – | – | – | – | **1.75** | 1.31 |
| | c Management Consultancy Services | – | – | – | – | **87.20** | 95.60 | – | – | – | – | – | – | **87.20** | 95.60 |
| | d Interest | – | – | – | – | – | – | **0.79** | – | – | – | **0.02** | – | **0.81** | - |
| 6 | Expenditure | | | | | | | | | | | | | | |
| | a Purchases | – | – | **661.55** | 309.06 | **4,073.42** | 3,235.70 | – | – | – | – | – | – | **4734.97** | 3544.76 |
| | b Remuneration/ Sitting Fees | – | – | – | – | – | – | – | – | **58.44** | 45.55 | **0.04** | 0.04 | **58.48** | 45.59 |
| | c Allocation of Corporate Expenses | – | – | **(18.04)** | (10.60) | **(228.30)** | (162.42) | – | – | – | – | – | – | **(246.34)** | (173.02) |
| | d Management Consultancy Services | **213.54** | 59.81 | – | – | – | – | – | - | – | – | – | – | **213.54** | 59.81 |
| | e Interest | – | – | **0.49** | 0.84 | **0.35** | 1.05 | – | – | – | – | – | – | **0.84** | 1.89 |
| 7 | Guarantees | – | – | **2,100.00** | 200.00 | – | 332.50 | – | – | – | – | – | – | **2100.00** | 532.50 |
| 8 | Option seller obligation guarantee facility (Refer Note No. 10 of Schedule 19) | – | – | – | 2,500.00 | **2,500.00** | – | – | – | – | – | – | – | **2500.00** | 2500.00 |

Company has written off Rs. 475 Millions from Advances given to Sterlite Paper Limited (A wholly owned subsidiary)

viii) **Details of Major Transactions with related parties :-**

| | (Rs. In Millions) Current Year | (Rs. In Millions) Previous Year |
|---|---|---|
| 1) **Income :** | | |
| a) **Management Consultancy Services :** | | |
| (i) Copper Mines of Tasmania Pty Limited | 43.60 | 47.95 |
| (ii) Thalanga Copper Mines Pty Limited | 43.60 | 47.65 |
| | 87.20 | 95.60 |
| 2) **Expenditure :** | | |
| (a) **Purchases :** | | |
| (i) Copper Mines of Tasmania Pty Limited | 2,399.11 | 2,089.15 |
| (ii) Thalanga Copper Mines Pty Limited | 1,256.28 | 696.43 |
| (iii) Madras Aluminium Company Limited | 661.55 | 309.06 |
| | 4,316.94 | 3,094.64 |
| (b) **Allocation of Corporate Expenses :** | | |
| (i) Hindustan Zinc Limited | (124.87) | (100.74) |
| (ii) Bharat Aluminium Company Limited | (103.43) | (61.68) |
| (iii) Madras Aluminium Company Limited | (18.04) | (10.60) |
| | (246.34) | (173.02) |
| (c) **Management Consultancy Services :** | | |
| (i) Twinstar Holdings Limited | 213.54 | 59.81 |
| | 213.54 | 59.81 |

28. EARNING PER SHARE

| | Unit | Current Year | Previous Year |
|---|---|---|---|
| Net Profit after Tax (As per Profit & Loss Account) | | 1,971.46 | 1,676.67 |
| Less : Dividend on Preference Shares and Tax thereon | | 0.18 | 5.00 |
| Profit attributable to equity share holders for Basic Earning per Share | | 1971.28 | 1671.67 |
| Add : Interest and premium expense recognised on Foreign Currency Convertible Bonds net of tax | | 27.20 | – |
| Profit attributable to equity share holders for Diluted Earning per Share | | 1,998.48 | 1,671.67 |
| Weighted Average no. of equity shares outstanding during the year :- | | | |
| for Basic Earning per Share | Nos. | 71,765,287 | 88,032,747 |
| for Diluted Earning per Share | Nos. | 73,503,229 | 88,032,747 |
| **Basic Earning per Share** | Rs. | 27.47 | 18.99 |
| **Diluted Earning per Share** | Rs. | 27.19 | 18.99 |
| **Nominal Value per Share** | Rs. | 5/- | 5/- |

**Reconciliation between number of shares used for calculating basic and diluted earning per share**

| | | Current Year | Previous Year |
|---|---|---|---|
| a | Number of Shares used for calculating Basic Equity Shares | 71,765,287 | 88,032,747 |
| b | Add : Potential Equity Shares (Foreign Currency Convertible Bonds) | 1,737,942 | – |
| c | Number of Shares used for calculating Diluted Earning per Share | 73,503,229 | 88,032,747 |

**Note :** In compliance with Accounting Standard-20 "Earning Per Share" the per share calculations of all the years presented have been restated considering the increase in outstanding no. of equity and potential equity shares as a result of issue of bonus shares during the current year.

29. DEFERRED TAXATION

The breakup of Deferred Tax Liability arising of timing difference are :

| | As at 31st March, 2004 | As at 31st March, 2003 |
|---|---|---|
| **Liabilities** | | |
| Related to Fixed Assets | 3487.03 | 3,604.54 |
| **Assets** | | |
| Provision for Doubtful Advances | 44.52 | 60.92 |
| Others | 9.51 | 5.48 |
| **Total** | 54.03 | 66.40 |
| **Deferred Tax Liability (Net)** | 3,433.00 | 3,538.14 |

30. The figures of previous Year have been recast, rearranged and regrouped wherever considered necessary.

As per our Report of even date

For **CHATURVEDI & SHAH**
Chartered Accountants

**D.CHATURVEDI**
Partner

For **DAS & PRASAD**
Chartered Accountants

**B.N.AGARWALA**
Partner

For and on behalf of the Board

**ANIL AGARWAL**
Chairman & Managing Director

**NAVIN AGARWAL**
Whole Time Director

**TARUN JAIN**
Director (Finance)

**RAMESH VENKAT**
Chief Financial Officer

**A.S. KHANDWALA**
Company Secretary

Place : Mumbai
Dated : June 14, 2004

# BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

**I Registration Details**

Registration No. 21833

State Code: 11

Balance Sheet Date: 31 03 2004 (Date Month Year)

**II Capital Raised during the period (Amount in Rs. Thousands)**

Public Issue: NIL

Right Issue: NIL

Private Placement/(Conversion): NIL

Bonus Issue: 179272

**III Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)**

Total Liabilities: 48897350

Total Assets: 48897350

**Source of Funds**

Paid up Equity Share Capital: 358986

Paid Up Preference Share Capital: 218750

Reserves & Surplus: 13821730

Secured Loans: 10799368

Unsecured Loans: 13321813

**Application of Funds**

Net Fixed Assets: 18660727

Investments: 16125013

Net Current Assets: 7156530

Miscellaneous Expenses: 11372

Accumulated Losses: NIL

**IV Performance of Company (Amount in Rs.Thousands)**

Turnover: 32916670

Other Income: 165000

Total Expenditure: 28937710

Profit before Tax: 1968410

Profit after tax: 1971460

Earning Per Share in Rs.: 27.47 Basic; 27.19 Diluted

Dividend Rate %: 60

**V Generic Names of Three Principal Products of Company**

Item Code No. (ITC Code) 7407 10

Product Description: CONTINUOUS CAST COPPER RODS

Item Code No. (ITC Code) 7614 10

Product Description: ALUMINIUM CONDUCTORS (AAC/ASCR)

Item Code No. (ITC Code) 2809

Product Description PHOSPHORIC ACID

**For and on behalf of the Board**

**ANIL AGARWAL**
*Chairman & Managing Director*

**NAVIN AGARWAL**
*Whole Time Director*

**TARUN JAIN**
*Director (Finance)*

**RAMESH VENKAT**
*Chief Financial Officer*

**A.S. KHANDWALA**
*Company Secretary*

Place : Mumbai
Dated : June 14, 2004

# CASH FLOW STATEMENT

| | | | Year Ended 31st March, 2004 (Rs. in Millions) | | Year Ended 31st March, 2003 (Rs. in Millions) |
|---|---|---|---|---|---|
| **A.** | **Cash flow from Operating Activities** | | | | |
| | **Net profit after tax as per P&L Account** | **1971.46** | | 1676.67 | |
| | **Adjusted for Provision for Taxation** | **(3.05)** | | 266.08 | |
| | | | **1968.41** | | 1942.75 |
| | Adjusted for : | | | | |
| | - Depreciation | **1084.02** | | 1059.35 | |
| | - Dividend Income | **–** | | (0.43) | |
| | - Interest Income | **(107.89)** | | (162.54) | |
| | - Interest & Borrowing Costs | **1160.19** | | 1510.33 | |
| | - Provision for Doubtful Debts/Advances | **(45.34)** | | 6.72 | |
| | Bad Debt and Advances Written Off (Net) | **58.38** | | 15.05 | |
| | - Loss / (Profit) on Sale of Investment (Net) | **(38.01)** | | 17.35 | |
| | - Loss / (Profit) on Sale / Discarding of Assets | **159.91** | | 0.22 | |
| | - Employees Stock Option Outstanding Written back / amortised | **–** | | (41.15) | |
| | - Miscellaneous Expenses Written Off | **7.49** | **2278.75** | 9.54 | 2414.44 |
| | Operating profit before working capital changes | | **4247.16** | | 4357.19 |
| | Adjusted for: | | | | |
| | - Trade and other receivables | **126.73** | | (1447.42) | |
| | - Inventories | **(252.96)** | | (1051.75) | |
| | - Trade payables | **(276.08)** | | 1784.82 | |
| | | | **(402.31)** | | (714.35) |
| | Cash generation from operations | | **3844.85** | | 3642.84 |
| | Interest paid (net) | | **(1319.59)** | | (1415.66) |
| | Direct taxes paid / TDS deducted/Refund received | | **(115.84)** | | (191.57) |
| | **Net cash flow from Operating Activities** | | **2409.42** | | 2035.61 |
| **B.** | **Cash flow from Investing Activities** | | | | |
| | Purchase of Fixed Assets & Capital *Work in Progress* | | **(3103.20)** | | (1023.62) |
| | Sale of Fixed Assets | | **22.30** | | 14.20 |
| | Purchase of Investments | | **(45902.25)** | | (587.64) |
| | Sale of Investment | | **45766.49** | | 519.48 |
| | Investment in subsidiaries | | **(4855.80)** | | (4121.20) |
| | Loan to Subsidiary Companies | | **(1894.13)** | | 113.49 |
| | Interest Received | | **138.53** | | 162.54 |
| | Dividend Received on Investments | | **–** | | 0.43 |
| | **Net cash flow from Investing Activities** | | **(9828.06)** | | (4922.32) |

| | Year Ended 31st March, 2004 (Rs. in Millions) | Year Ended 31st March, 2003 (Rs. in Millions) |
|---|---|---|
| **C. Cash flow from Financing Activities** | | |
| (Buy Back of)/Proceeds from issue of share capital including share premium | **31.30** | (1969.88)* |
| (Redemption of)/Proceeds from issue of Preference Share Capital including Share Premium | **1,750.00** | (200.00) |
| Proceeds from long term loan | **4541.11** | 5463.60* |
| Repayment of long term loans | **(3987.29)** | (1133.66) |
| Short term loans | **6231.66** | (626.22) |
| Effect of exchange rate change on foreign currency EURO Convertible Bonds/FRNs | **61.21** | (12.00) |
| Dividend paid | **(238.43)** | (179.94) |
| **Net Cash flow from Financing Activities** | **8389.56** | 1341.90 |
| Net Increase/(decrease) in cash and cash equivalent | **970.92** | (1544.81) |
| Cash and cash equivalent as at 01.04.2003 | **668.00** | 2212.81 |
| Cash and cash equivalent as at 31.03.2004 | **1638.92** | 668.00 |

* It includes secured redeemable non-convertible debentures of Rs. 10 each aggregating to Rs. 1008.24 millions issued to each shareholder as part consideration for the shares purchased and cancelled in terms of the scheme of arrangement as approved by Honourable High Court of Judicature at Mumbai.

Notes :

1) The above Cash Flow Statement has been prepared under the "Indirect Method" as set out in Accounting standard-3 "Cash Flow Statement" issued by the Institute of Chartered Accountants of India.
2) Figures in the brackets indicate outflows.

**As per our Report of even date**

For **CHATURVEDI & SHAH**
*Chartered Accountants*

**D. CHATURVEDI**
*Partner*

For **DAS & PRASAD**
*Chartered Accountants*

**B.N. AGARWALA**
*Partner*

Place : Mumbai
Dated : 14th June, 2004

**For and on behalf of the Board**

**ANIL AGARWAL**
*Chairman & Managing Director*

**NAVIN AGARWAL**
*Whole Time Director*

**TARUN JAIN**
*Director (Finance)*

**RAMESH VENKAT**
*Chief Financial Officer*

**A.S. KHANDWALA**
*Company Secretary*

# STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATING TO SUBSIDIARY COMPANIES

| | Bharat Aluminium Company Ltd. | Sterlite Opportunities and Ventures Ltd. | Hindustan Zinc Ltd. | Monte Cello B V | Copper Mines of Tasmania Pty. Ltd. | Thalanga Copper Mines Pty. Ltd. | Sterlite Paper Ltd. | Vedanta Alumina Ltd. (Formerly Sterlite Transmission Limited) | Sterlite Copper Limited |
|---|---|---|---|---|---|---|---|---|---|
| 1 Financial year of the Subsidiary Company ended on | 31-03-04 | 31-03-04 | 31-03-04 | 31-03-04 | 31-03-04 | 31-03-04 | 31-03-04 | 31-03-04 | 31-03-04 |
| 2 Shares of the Subsidiary Company held on the above date and extent of holding | | | | | | | | | |
| a) Equity shares | 112,518,495 | 2,550,000 | 274,315,331 | 40 | 2 | 578,240 | 50,000 | 50,006 | 50,000 |
| b) Extent of Holding | 51% | 100% | 64.92% | 100% | 100% | 100% | 100% | 100% | 100% |
| 3 The net aggregate amount of the Subsidiaries profit/(loss) so far as it is concerned with the members of Sterlite Industries (India) Limited | | | | | | | | | |
| (i) Not dealt within the holding company's accounts | | | (Refer Note No. 1) | | (Refer Note No. 2) | (Refer Note No. 2) | (Refer Note No. 3) | | |
| a) For the financial year of the Subsidiary (In Millions) | Profit Rs.344.16 | Profit Rs. 32.22 | Profit Rs. 2223.52 | Profit Euro 1.15 | (Loss) A$ 1.58 | Profit A$ 1.35 | (Loss) Rs. 477.39 | – | (Loss) Rs. 0.01 |
| b) For the previous financial years of the subsidiary/ since it became the Holding company's subsidiary (in Millions) | Profit 257.58 | (Loss) Rs. 190.94 | Profit Rs. 600.36 | Profit Euro 1.13 | (Loss) A$ 6.13 | Profit A$ 8.38 | (Loss) Rs. 16.05 | (Loss) Rs. 0.02 | NA NA |
| (i) Dealt within the holding company's accounts | | | | | | | | | |
| a) For the financial year of the Subsidiary (In Millions) | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| b) For the previous financial years of the subsidiary/ since it became the Holding company's subsidiary (in Millions) | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| 4 Material changes, if any, between the end of the financial year of the subsidiary company and that of the Holding Company | NA | NA | NA | NA | NA | NA | NA | NA | NA |

**Notes :** 1. Hindustan Zinc Ltd. is a subsidiary of Sterlite Opportunities & Ventures Ltd., which is 100% subsidiary of the Company.

2. Copper Mines of Tasmania Pty Ltd. and Thalanga Copper Mines Pty. Ltd. are subsidiary companies of Monte Cello B V which is 100% subsidiary of the Company.

3. Includes Extraordinary item of Rs. 475 Million written off on account of Impairment of Capital work in progress.

# AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF STERLITE INDUSTRIES (INDIA) LIMITED ON THE CONSOLIDATED FINANCIAL STATEMENTS OF STERLITE INDUSTRIES (INDIA) LIMITED AND IT'S SUBSIDIARIES

1. We have examined the attached Consolidated Balance Sheet of Sterlite Industries (India) Limited and it's subsidiaries as at March 31st, 2004, the Consolidated Profit and Loss Account and Consolidated Cash Flow Statement for the year ended on that date.

2. These Financial Statements are the responsibility of the Sterlite Industries (India) Limited's management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the generally accepted auditing standards in India. These standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material mis-statements. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements. We believe that our audit provides a reasonable basis for our opinion.

3. We did not audit the financial statements of Copper Mines of Tasmania Pty Limited, Thalanga Copper Mines Pty. Limited, Bharat Aluminium Company Limited, Sterlite Paper Limited, Vedanta Alumina Limited (Formerly known as Sterlite Transmission Limited), Sterlite Opportunities and Ventures Limited, Sterlite Copper Limited and Hindustan Zinc Limited, the subsidiary companies, whose financial statements reflect total assets of Rs. 68,983.88 million as at March 31st 2004 and total revenues of Rs. 32,073.88 million for the year ended on that date. These financial statements have been audited by other auditors whose reports has been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of these subsidiaries, is based solely on the report of the others auditors.

4. Financial statements of Monte Cello BV has not been audited in view of the Statutory size exemption under Article 396, Title 9, Book 2 of the Dutch Civil Code. The financial statements of this subsidiary reflecting the total assets of Rs. 931 millions as at March 31st, 2004 and total Revenues of Rs. 0.88 millions for the year ended on that date have been certified by Management and furnished to us and our opinion, in so far as it relates to the amounts included in respect of the subsidiary, is based solely on these certified financial statements.

5. The financial statements of Sterlite International Limited, an associate company, have not been considered as the company is in the process of liquidation.

6. We report that the Consolidated Financial Statement have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) – 21 "Consolidated Financial Statements", issued by the Institute of Chartered Accountants of India and on the basis of the separate audited / certified financial statements of the Company and its subsidiaries included in the Consolidated Financial Statements.

7. Attention is invited to following notes in Schedule 21:

   7.1 Note no. 20 regarding long term investment, by Hindustan Zinc Limited, in equity shares of a power company being classified as intangible assets and depreciated. This treatment is in preference to requirement of Accounting Standard 13 "Accounting for Investment" and Schedule XIV of the Companies Act, 1956. This has resulted in profit for the year being lower by Rs. 44.91 millions, investment being lower by Rs. 983.87 millions and reserves and surplus being lower by Rs. 143.52 millions.

   7.2 Note no. 3 (i) and 7 regarding the consolidation of the financial statements of certain subsidiary companies for different accounting periods and with different accounting policies respectively.

8. We further report that, without considering items mentioned at paragraph 7.2 above the effect of which could not be determined, had the observation made in paragraph 7.1 above been considered, the profit after minority interest for the year would have been Rs. 4,377.85 million (as against the reported figure of Rs. 4,348.69 million), investment would have been Rs. 11,970 million (as against the reported figure of Rs. 10,986.20 Million), minority interest have been Rs. 8,767.40 million (as against the reported figure of Rs. 8,751.65 million).

9. Attention is invited to note no. 5 of Schedule 20 in respect of Financial Statement of Copper Mines of Tasmania Pty. Limited, regarding significant uncertainty whether Copper Mines of Tasmania Pty. Limited will be able to continue as a going concern and therefore whether it will realise its assets and

extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

10. Subject to our comments in paragraph 7 above, with consequential aggregate effects to the extent possible quantified in paragraph 8 above, we report that :-

    On the basis of the information and explanation given to us and on the consideration of the separate audit reports on individual audited financial statements of the Company and its subsidiaries, we are in the opinion that the consolidated financial statements read together with notes thereto, in particular note no. 4 of Schedule 20 regarding resultant translation exchange difference of foreign subsidiaries for the purpose of consolidation of accounts, note no. 10 regarding extraordinary items and transfer of general reserve to Profit and Loss Account, note no. 25 and 26 regarding change in accounting policies, by the Company, for accounting of expenditure in connection with issue of foreign currency convertible bonds and purchase of copper concentrate and export of slime where the quotational period price are not finalized, respectively, give true and fair view:

    a) in case of the Consolidated Balance Sheet, of the consolidated state of affairs of the Company as at March 31st, 2004.

    b) in case of the Consolidated Profit and Loss Accounts, of the consolidated results of the operation of the Company for the year ended on that date and

    c) in case of the Consolidated Cash Flow Statement, of the Consolidated Cash Flow of the Company for the year then ended.

**For CHATURVEDI & SHAH**
***Chartered Accountants***

**D. CHATURVEDI**
***Partner***
**Membership No. 5611**

**For DAS & PRASAD**
***Chartered Accountants***

**B. N. AGARWALA**
***Partner***
**Membership No. 11709**

**Place: Mumbai**
**Date: 14th June, 2004**

# CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2004

| | Schedule | | As at 31st March, 2004 (Rs. in Millions) | | As at 31st March, 2003 (Rs. in Millions) |
|---|---|---|---|---|---|
| I. SOURCES OF FUNDS | | | | | |
| 1. **Shareholders' Funds** | | | | | |
| Share Capital | 1 | 577.74 | | 179.46 | |
| Reserves & Surplus | 2 | 16474.67 | | 12943.55 | |
| Deferred Government grant | 3 | 2.76 | | 2.82 | |
| | | | 17055.17 | | 13125.83 |
| 2. **Minority Interest** | | | 8751.65 | | 9508.83 |
| 3. **Share Application Money Pending Allotment** | | | 0.00 | | 1205.00 |
| 4. **Loan Funds** | | | | | |
| Secured Loans | 4 | 29335.46 | | 13363.68 | |
| Unsecured Loans | 5 | 18067.92 | | 10851.01 | |
| | | | 47403.38 | | 24214.69 |
| 5. **Deferred Tax liability (Net)** | | | 4617.53 | | 5380.16 |
| (Refer Note No. 8 of Schedule No. 20) | | | | | |
| | TOTAL | | 77827.73 | | 53434.51 |
| II. APPLICATION OF FUNDS | | | | | |
| 1. **Fixed Assets** | 6 | | | | |
| Gross Block | | 66828.66 | | 62060.35 | |
| Less : Depreciation and Impairment | | 28888.59 | | 24774.59 | |
| Net Block | | 37940.07 | | 37285.76 | |
| Capital Work-in-Progress | | 14819.01 | | 3105.08 | |
| | | | 52759.08 | | 40390.84 |
| 2. **Investments** | | | | | |
| In Associates | | – | | 0.07 | |
| Others | | 10,986.20 | | 229.09 | |
| | | | 10986.20 | | 229.16 |
| 3. **Current Assets, Loans & Advances** | | | | | |
| Inventories | 7 | 8585.78 | | 7811.72 | |
| Sundry Debtors | 8 | 6061.88 | | 2629.95 | |
| Cash and Bank Balances | 9 | 10339.73 | | 6869.16 | |
| Loans & Advances | 10 | 7134.98 | | 6643.62 | |
| | | 32122.37 | | 23954.45 | |
| **Less: Current Liabilities & Provisions** | 11 | | | | |
| Current Liabilities | | 13749.08 | | 11235.61 | |
| Provisions | | 4605.37 | | 2436.37 | |
| | | 18354.45 | | 13671.98 | |
| **Net Current Assets** | | | 13767.92 | | 10282.47 |
| 4. **Miscellaneous Expenditure** | 12 | | 314.53 | | 2532.04 |
| (to the extent not written off or adjusted) | | | | | |
| | TOTAL | | 77827.73 | | 53434.51 |
| Notes forming part of Accounts | 20 | | | | |

**As per our Report of even date**

For **CHATURVEDI & SHAH**
Chartered Accountants

**D. CHATURVEDI**
Partner

For **DAS & PRASAD**
Chartered Accountants

**B.N. AGARWALA**
Partner

Place : Mumbai
Dated : June 14, 2004

**For and on behalf of the Board**

**ANIL AGARWAL**
Chairman & Managing Director

**NAVIN AGARWAL**
Whole Time Director

**TARUN JAIN**
Director (Finance)

**RAMESH VENKAT**
Chief Financial Officer

**A.S. KHANDWALA**
Company Secretary

## CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE PERIOD ENDED 31ST MARCH 2004

| | | Schedule | | Year Ended 31st March, 2004 (Rs. in Millions) | | Year Ended 31st March, 2003 (Rs. in Millions) |
|---|---|---|---|---|---|---|
| I. | INCOME | | | | | |
| | Gross Turnover | | 82,987.95 | | 62,381.19 | |
| | Less : Inter Divisional Transfers (including elimination for subsidiaries) | | 19,837.02 | | 13489.92 | |
| | Turnover | | 63,150.93 | | 48891.27 | |
| | Less : Excise Duty Recovered on Sales | | 6,001.99 | | 4999.24 | |
| | Net Turnover | | | 57148.94 | | 43892.03 |
| | Other Income | 13 | | 1599.78 | | 1383.47 |
| | Increase/(Decrease) in Stock | 14 | | 532.12 | | (914.64) |
| | | TOTAL | | 59280.84 | | 44360.86 |
| II. | EXPENDITURE | | | | | |
| | Manufacturing and other expenses | 15 | | 37691.04 | | 27525.89 |
| | Personnel | 16 | | 3803.69 | | 4297.01 |
| | Selling & Distribution | 17 | | 1421.93 | | 1047.26 |
| | Administration & General | 18 | | 1071.48 | | 1496.99 |
| | Interest & Finance charges | 19 | | 1444.99 | | 1805.84 |
| | | | | 45433.13 | | 36172.99 |
| | Less : Pre operative expenses of projects (net) | | | 122.73 | | 22.86 |
| | | | | 45310.40 | | 36150.13 |
| | | | | 13970.44 | | 8210.73 |
| | Depreciation & Amortisation | | | 2786.79 | | 3017.72 |
| | PROFIT BEFORE EXTRAORDINARY ITEMS AND TAX | | | 11183.65 | | 5193.01 |
| | EXTRAORDINARY ITEMS :- | | | | | |
| | Voluntary retirement scheme | | | 2820.70 | | 700.75 |
| | Impairment of Fixed Assets and Capital work in progress | | 860.00 | | | – |
| | Impairment of Goodwill | | 790.00 | | | – |
| | | | 1650.00 | | | – |
| | Less : Transferred from General Reserve (Refer note no. 10 of Schedule 20) | | 1,650.00 | | | – |
| | | | | – | | – |
| | PROFIT BEFORE TAXATION | | | 8362.95 | | 4492.26 |
| | Provision for Current taxation (Including Wealth Tax Rs. 1.86 Millions) | | | 2838.32 | | 1101.29 |
| | Provision for Deferred taxation | | | (756.42) | | 329.38 |
| | PROFIT AFTER TAXATION | | | 6,281.05 | | 3061.59 |
| | Income Tax Provision related to earlier years (written back)/provided | | | (220.53) | | 24.05 |
| | | | | 6501.58 | | 3037.54 |
| | **Less : Pre - acquisition Profit Transferred to goodwill** | | | 403.13 | | 11.99 |
| | **Less : Minority Interest in Income** | | 1749.89 | | | 1083.64 |
| | Less : Minority's Share in the proposed dividend of subsidiary & tax thereon | | 295.07 | 1454.82 | | 205.92 |
| | | | | 4643.63 | | 2147.83 |
| | **Add - Share in the Profit/(Loss) of Associates** | | | – | | (0.04) |
| | Balance at the beginning of the year | | | 3945.13 | | 3426.09 |
| | AMOUNT AVAILABLE FOR APPROPRIATION | | | 8588.76 | | 5573.88 |
| | APPROPRIATIONS | | | | | |
| | Transfer to Preference Share Redemption Reserve | | | – | | 200.00 |
| | Transfer to Debenture Redemption Reserve | | | – | | 215.00 |
| | General Reserve | | | 2247.65 | | 760.00 |
| | Dividend on Preference Shares | | | 0.16 | | 5.00 |
| | Income Tax on Preference Dividend | | | 0.02 | | – |
| | Proposed Dividend on Equity Shares of the Company | | | 215.40 | | 197.59 |
| | Income Tax on Proposed Dividend | | | 84.01 | | 45.24 |
| | Proposed Dividend to Minority Equity Shareholder of Subsidiary company and Tax thereon | | | 295.07 | | 205.92 |
| | Balance carried to the Balance Sheet | | | 5746.45 | | 3945.13 |
| | | TOTAL | | 8588.76 | | 5573.88 |
| | Earning per Share of Rs. 5 each (Basic) } (in Rs.) | | | 60.59 | | 22.00 |
| | Earning per Share of Rs. 5 each (Diluted) } Refer Note No. 33 of Schedule 20 | | | 59.53 | | 22.00 |
| | Notes forming part of Accounts | 20 | | | | |

**As per our Report of even date**

For **CHATURVEDI & SHAH**
Chartered Accountants

**D. CHATURVEDI**
Partner

For **DAS & PRASAD**
Chartered Accountants

**B.N. AGARWALA**
Partner

**For and on behalf of the Board**

**ANIL AGARWAL**
Chairman & Managing Director

**NAVIN AGARWAL**
Whole Time Director

**TARUN JAIN**
Director (Finance)

**RAMESH VENKAT**
Chief Financial Officer

**A.S. KHANDWALA**
Company Secretary

Place : Mumbai
Dated : June 14, 2004

## SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

| SCHEDULE 1<br>SHARE CAPITAL : | **As at 31st March, 2004 (Rs. in Millions)** | As at 31st March, 2003 (Rs. in Millions) |
|---|---|---|
| Authorised : | | |
| 120,000,000 (Previous 80,000,000) Equity Shares of Rs. 5/- each. | **600.00** | 400.00 |
| 30,000,000 (Previous 50,000,000) Preference Shares of Rs.10/- each | **300.00** | 500.00 |
| | **900.00** | 900.00 |
| Issued, Subscribed & Paid up : | | |
| 71,799,620 (Previous Year 35,924,551) Equity Shares of Rs. 5/- each fully paid up. | **359.00** | 179.62 |
| Less : Unpaid Allotment Money/Calls in Arrears (other than Directors) | **0.01** | 0.16 |
| | **358.99** | 179.46 |
| 21,875,000 (Previous Nil) 1% Cumulative Redeemable Preference Shares of Rs. 10/- each fully paid up. | **218.75** | – |
| TOTAL | **577.74** | 179.46 |

Note :

1 Of the above equity shares :
   (a) 210,000 Equity Shares were allotted as fully paid up pursuant to a contract without payment being received in cash.
   (b) 42,824,788 Equity Shares were allotted as fully paid up Bonus Shares by way of capitalisation of General Reserve and Share Premium.
   (c) 2,733,675 Equity Shares were allotted pursuant to scheme of Amalgamation without payment being received in cash.
   (d) 20,600 Equity Shares were allotted during the year as fully paid up on conversion of 500 Foreign Currency Convertible Bonds.
   (e) 16,910 Equity Shares were reissued after forfeiture of the same during the year.

2 Of the above equity shares, 48,313,780 Equity Shares are held by Company's holding company and subsidiary company of Holding Company.

3 Refer Note No. 21 of the Schedule 20 in respect of reduction of Issued, Subscribed and Paid-up Capital.

4 1% Cumulative Redeemable Preference Shares of Rs. 218.75 Millions are redeemable on expiry of 3 years from the date of allotment i.e., 4th March, 2004 with a call option to the Company to redeem the same any time after expiry of 12 months from the date of allotment at following basis :
   a) Redemption premium Rs. 75.50 per share, if redeemed after 12 months but before 24 months from the date of allotment.
   b) Redemption premium Rs. 79 per share, if redeemed after 24 months but before 36 months from the date of allotment.
   c) Redemption premium Rs. 83.50 per share, if redeemed at redemption date.

| SCHEDULE 2<br>RESERVES & SURPLUS : | | **As at 31st March, 2004 (Rs. in Millions)** | As at 31st March, 2003 (Rs. in Millions) |
|---|---|---|---|
| Capital Reserve | | | |
| As per last Balance Sheet | **21.46** | | 21.46 |
| Add : Amount transferred on Forfeiture of Shares | **1.13** | | – |
| | | **22.59** | 21.46 |
| Preference Share Redemption Reserve | | | |
| As per Last Balance Sheet | **550.00** | | 350.00 |
| Add : Transferred from Profit & Loss Account | – | | 200.00 |
| | | **550.00** | 550.00 |
| Debenture Redemption Reserve | | | |
| As per Last Balance Sheet | **1,300.00** | | 1,085.00 |
| Add : Transferred from Profit & Loss Account | – | | 215.00 |
| Less : Transferred to General Reserve | **775.00** | | – |
| | | **525.00** | 1300.00 |
| Share Premium Account | | | |
| As per Last Balance Sheet | **5,613.94** | | 8181.16 |
| Add : Received during the year | **1,553.81** | | 342.63 |
| | **7,167.75** | | 8523.79 |
| Less : Utilised For Issue of Fully paid Bonus Shares | **179.28** | | – |
| Less : Utilised for the purpose of Buy Back of the Equity Shares of the Company (Refer Note No. 21 of schedule 20) | – | | (2909.85) |
| | **6,988.47** | | 5613.94 |
| Less : Unpaid Share Premium | **0.29** | | (7.66) |
| | | **6988.18** | 5606.28 |

## SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

| SCHEDULE 2 (Contd.) | | As at 31st March, 2004 (Rs. in Millions) | As at 31st March, 2003 (Rs. in Millions) |
|---|---|---|---|
| Employees Stock Option Outstanding | | | |
| As per Last Balance Sheet | – | | 41.15 |
| Less : Transferred to Profit and Loss Account | – | | (41.15) |
| | | – | – |
| General Reserve | | | |
| As per Last Balance Sheet | 1513.51 | | 753.51 |
| Add : Transferred from Debenture Redemption Reserve | 775.00 | | – |
| | 2288.51 | | 753.51 |
| Less : Transferred to Profit and Loss Account (Refer note 10 of Schedule 20) | 1650.00 | | – |
| | 638.51 | | 753.51 |
| Add : Transferred from Profit & Loss Account | 2247.65 | | 760.00 |
| | | 2886.16 | 1513.51 |
| Research & Development Reserve | | | |
| As per Last Balance Sheet | 7.17 | | 22.74 |
| Grants Received during the year | 0.83 | | 0.40 |
| | 8.00 | | 23.14 |
| Less : Adjusted during the year | 3.87 | | (15.97) |
| Transfer to other liabilities | 4.13 | | – |
| | | – | 7.17 |
| Foreign Currency Translation Reserve | | (243.71) | – |
| Profit & Loss Account | | 5746.45 | 3945.13 |
| TOTAL | | 16474.67 | 12943.55 |

**SCHEDULE 3**
**DEFERRED GOVERNMENT GRANT**

| | | |
|---|---|---|
| Grants-in-aid received from Government of India towards setting up of pilot plant and research facilities for testing of Bauxite | | |
| As per last Balance Sheet | 2.82 | 2.88 |
| Less : Transferred to profit and loss account | (0.06) | (0.06) |
| TOTAL | 2.76 | 2.82 |

**SCHEDULE 4**
**SECURED LOANS :**

| | | |
|---|---|---|
| (A) Redeemable Non Convertible Debentures | 4751.66 | 4428.24 |
| (B) Floating Rate Notes Due 2007 810 FRNs @ US$ 100000 each | 3890.62 | 3944.16 |
| (C) Foreign Currency Loan | 10005.55 | 3600.07 |
| (D) Term Loans from Banks/Financial Institutions (Rupee Loans) : | 8768.36 | 197.64 |
| (E) Working Capital Loans from Banks | 1482.03 | 1193.57 |
| (F) Buyer's Credit | 437.24 | – |
| TOTAL | 29335.46 | 13363.68 |

Notes:

1. Out of Debentures referred at A above :
   (i) Rs. 2251.67 Millions are secured by a first charge on pari passu basis in favour of the Trustees for the Debentures on the immovable properties situated at Tuticorin in the State of Tamilnadu; Lonawala and Pune in the State of Maharashtra, Chinchpada in the U.T. of Dadra & Nagar Haveli and Mouje Chatral of Kalol Taluka, District Gandhinagar, Gujarat.
   (ii) Rs. 2500 Million of Sterlite Opportunities and Ventures Limited are secured by a first pari-passu mortgage over freehold land in Gujarat and unconditional and irrevocable guarantee of ICICI Bank Limited.

## SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

2. FRNs referred at B above are secured by guarantee issued by a Financial Institution which in turn is secured by a first charge on a pari passu basis on all the Company's immovable assets situated at Tuticorin in the State of Tamilnadu and Silvassa in the UT of Dadra & Nagar Haveli.
3. Out of Foreign Currency Loan at C above :
   (i) Rs. 3882.94 Millions are secured by a first charge on a pari passu basis on all the Company's immovable properties situated at Tuticorin in the State of Tamilnadu, and Silvassa in the UT of Dadra & Nagar Haveli and further secured by hypothecation of moveable properties at the above places.
   (ii) Rs. 5528.75 Millions of Hindustan Zinc Limited are secured by hypothecation of fixed assets of Chanderiya Lead Zinc smelter , Debari Zinc Smelter and Vizag Zinc Smelter and movable assets excluding inventories and debtors of Chanderiya Lead Zinc smelter, Debari Zinc smelter, Vizag Zinc smelter, Zawar mines, Rajpura Dariba mines and Rampura Agucha mines.
   (iii) Rs. 593.86 Millions of Bharat Aluminium Company Limited are secured against pledge of fixed deposits amounting Rs. 688.91 Millions.
4. Out of Term Loans at D above:
   (i) Rs. 8706.25 Millions of Bharat Aluminium Company Limited are secured by first exclusive charge on movable properties, present and future, tangible or intangible, and assets other than current assets and charge on immovable properties.
   (ii) Rs. 62.11 Million of Copper Mines of Tasmania is secured by a fixed and floating charge over the assets of that Company.
5. Out of Working Capital Loans at E above:
   (i) Rs. 774.14 Millions are secured by a first charge by way of hypothecation of the Company's present and future inventories and book debts. These loans are further secured by a second charge on all the immovable properties of the Company.
   (ii) Rs. 600 Millions of Bharat Aluminium Company Limited are secured by hypothecation of stock of raw materials, stock-in-process, semi-finished, finished products, consumable stores and spares, bills receivables, book debts and all other moveables both present and future.The charges ranks pari passu among banks under the multiple banking arrangements, both for fund based as well as non fund based facilities.
   (iii) Rs. 107.89 Millions of Hindustan Zinc Limited are secured by pari passu first charge by way of hypothecation of raw material, semi-finished, finished products, consumables and other movables including book debts and receivables both present and future.
6. The Buyer's credit referred at F above of Hindustan Zinc Limited are secured by way of hypothecation of entire stocks of raw materials, semi finished goods, finished goods, consumables and other movables including book debts and receivables both present and future.

| SCHEDULE 5<br>UNSECURED LOANS : | **As at 31st March, 2004 (Rs. in Millions)** | As at 31st March, 2003 (Rs. in Millions) |
|---|---|---|
| A. Deferred Sales Tax Liabilities | **421.25** | 329.67 |
| B. Public Deposits | **0.16** | 3.66 |
| C. Loans from Banks/Financial Institutions | | |
| (i) Foreign Currency Loans | **1089.93** | 1363.31 |
| (ii) 1% Foreign Currency Convertible Bonds | **2158.08** | – |
| (iii) Redeemable Non convertible Debentures | **1750.00** | 1600.00 |
| (iv) Rupee Loans | **496.25** | 1487.22 |
| D. Others | **3502.32** | 6067.15 |
| E. Buyer's Credit | **8649.93** | – |
| TOTAL | **18067.92** | 10851.01 |

Notes :
1) 49,500 Foreign currency convertible bonds of USD 1000 each are redeemable at premium of USD 180 per bond on October 27, 2008 with option to bondholders to convert the same in 82.4 Equity Shares aggregating to 4,078,800 Equity Shares at any time during the period from December 4, 2003 to September 27, 2008.
2) Loans in C (iv) includes amount of Commercial Paper at the end of the year of Rs. Nil Millions (Previous year 350 Millions). Maximum amount outstanding at any time during the year is Rs. 1200 Millions (Previous year 950 Millions).
3) Amount due within one year Rs. 10894.81 Millions (Previous year 5837.04 Millions).

**SCHEDULE 6**
**FIXED ASSETS :**

(Rs. in Millions)

| | GROSS BLOCK (AT COST) | | | | | DEPRECIATION & AMORTISATION | | | | | NET BLOCK Before Impairment Loss | Impairment Loss | NET BLOCK | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Nature of Fixed assets** | **As at 01.04.2003** | **Addition on Account of Acquisitions** | **Additions/ Adjustments** | **Deductions/ Adjustments** | **As at 31.03.2004** | **Upto 31.03.2004** | **Addition on Account of Acquisitions** | **For the Year** | **Deductions/ Adjustments** | **As at 31.03.2004** | **As at 31.03.2004** | **As at 31.03.2004** | **As at 31.03.2004** | **As at 31.03.2003** |
| Goodwill on consolidation | 9,416.66 | – | 1,108.68 | | 10,525.34 | – | – | – | – | – | 10,525.34 | 790.00 | 9735.34 | 9,416.66 |
| Land | 859.39 | – | 63.32 | 1.82 | 920.89 | 151.70 | – | 27.96 | – | 179.66 | 741.23 | – | 741.23 | 707.69 |
| Buildings | 3,109.64 | – | 558.79 | 39.38 | 3,629.05 | 1,285.86 | – | 84.88 | 23.82 | 1,346.92 | 2,282.13 | – | 2282.13 | 1,823.78 |
| Buildings (leasehold) | 68.56 | – | – | – | 68.56 | 13.23 | | 7.89 | – | 21.12 | 47.44 | – | 47.44 | 55.33 |
| Plant & Machinery | 42,962.34 | – | 2,939.55 | 271.13 | 45,630.76 | 19,730.33 | – | 2,453.02 | 110.00 | 22,073.35 | 23,557.41 | 385.00 | 23172.41 | 23,232.01 |
| Plant & Machinery (Leased) | 20.72 | – | 3.17 | 1.03 | 22.86 | 8.59 | – | 5.54 | 0.39 | 13.74 | 9.12 | – | 9.12 | 12.13 |
| Furniture & Fixtures | 182.62 | – | 43.66 | 0.50 | 225.78 | 110.045 | – | 32.60 | 0.26 | 142.39 | 83.39 | – | 83.39 | 72.58 |
| Data Processing Equipment | 128.63 | – | 21.59 | 0.45 | 149.77 | 63.24 | – | 20.60 | 0.04 | 83.80 | 65.97 | – | 65.97 | 65.39 |
| Office Equipments | 375.37 | – | – | 17.23 | 358.14 | 214.52 | – | 2.64 | 8.53 | 208.63 | 149.51 | – | 149.51 | 160.85 |
| Electrical Fittings | 122.71 | – | 15.12 | 0.06 | 137.77 | 28.68 | – | 5.82 | – | 34.50 | 103.27 | – | 103.27 | 94.03 |
| Vehicles | 152.13 | – | 22.40 | 16.41 | 158.12 | 75.35 | – | 9.97 | 8.76 | 76.56 | 81.56 | – | 81.56 | 76.78 |
| Mine reserve and development | 2,929.94 | – | 709.37 * | – | 3,639.31 | 2,165.49 | – | 893.51 * | – | 3,059.00 | 580.31 | – | 580.31 | 764.45 |
| Railway Siding | 89.54 | – | – | 2.00 | 87.54 | 58.07 | – | 1.43 | – | 59.50 | 28.04 | – | 28.04 | 31.47 |
| Capital expenditure not represented by assets | – | – | – | – | – | – | – | – | – | – | – | – | 0.00 | – |
| Intangible Assets | 830.43 | – | 153.44 | – | 983.87 | 98.61 | – | 44.91 | – | 143.52 | 840.35 | – | 840.35 | 731.82 |
| Asset Retired from Active use | 811.67 | – | 22.26 | 543.03 | 290.90 | 770.87 | – | 18.74 | 518.71 | 270.90 | 20.00 | – | 20.00 | 40.80 |
| TOTAL | 62,060.35 | – | 5,661.35 | 893.04 | 66,828.66 | 24,774.59 | – | 3,609.51 | 670.51 | 27,713.59 | 39,115.07 | 1,175.00 | 37,940.07 | 37,285.76 |
| Previous Year | 40,387.70 | 15,433.75 | 6,913.03 | 674.13 | 62,060.35 | 13,622.49 | 8,425.90 | 3,017.72 | 291.52 | 24,774.59 | 37,285.76 | – | 37,285.76 | – |
| Capital Work in Progress | | | | | | | | | | | 15,294.01 | 475.00 | 14,819.01 | 3,105.08 |

* Includes opening balance of Gross block and accumulated depreciation of HZL in respect of earlier year.

**Notes :**

1) Land includes lease hold land of Rs. 645.19 Millions (Previous Year Rs. 641.59 Millions). Lease hold land includes Rs. 85.62 Millions being the value of land for which lease deeds are pending execution.
2) In case of HZL, title deeds are still to be executed in respect of 10.63 acres of free hold land at Vishakapatnam.
3) In case of BALCO transfer of some of title deeds is pending in respect of certain flats, buildings and land.
4) Some land & quarters of BALCO including 40 nos. quarters at Bidhan Bagh Unit and 300.88 acres of land at Korba and Bidhan Bagh have been unauthorisedly occupied for which evacuation efforts are in progress.
5) Buildings (free-hold) include (a) Cost of Shares of Rs. 750 in Co-op. Housing Society, (b) Cost of Shares of Rs. 750 in Co-operative societies representing possession of office premises, (c) a residential flat in the joint names of the Company and one of its Directors.
6) Gross Block of buildings of HZL includes Rs. 10.27 Millions wherein bifurcation of the cost between land and building is not ascertained (Previous Year Rs. 10.27 Millions)
7) Plant and Machinery include Rs. 37.28 Millions and Rs. 16.75 Millions being the amount spent for laying water pipe line and power line respectively, the ownership of which vests with the State Government Authorities.
8) Plant and Machinery of BALCO includes capital expenditure of Rs. 251.59 Million pertaining to Captive Power Plant which has been installed at the premises of National Thermal Power Corporation Ltd. in view of convenience of operations.
9) Depreciation for the year includes Rs. 5.90 Millions (Rs. 70.73 Millions) for earlier years.
10) Additions to Gross Block and Capital work in progress includes gain of Rs. 166.93 Millions (Previous Year loss of Rs.135.95 Millions) on account of Exchange Difference during the year.
11) Additions to Gross Block includes Rs. 767.43 Millions (Previous Year Rs. 434.02 Millions) and depreciation includes and 558.22 Millions (Previous Year Rs. 326.11 Millions) on account of translation of fixed assets and depreciation to date respectively of foreign subsidiaries.

## SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

| | | As at 31st March, 2004 (Rs. in Millions) | As at 31st March, 2003 (Rs. in Millions) |
|---|---|---|---|
| **SCHEDULE 7** | | | |
| **INVENTORIES :** | | | |
| (As taken, valued & certified by the Management) | | | |
| Raw Materials | | 1449.89 | 1185.77 |
| Work-in-Process | | 4221.04 | 3905.80 |
| Finished Goods | | 1663.45 | 1446.57 |
| Stores, Spares, Packing Materials & Others | 1304.96 | | 1314.75 |
| Less : Provision for obsolescence | 53.56 | | 41.17 |
| | | 1251.40 | 1273.58 |
| TOTAL | | 8585.78 | 7811.72 |
| **SCHEDULE 8** | | | |
| **SUNDRY DEBTORS :** | | | |
| Unsecured (Unless otherwise stated, Subject to confirmation) | | | |
| (a) Due for a period exceeding 6 months: | | | |
| – considered good | | 91.18 | 535.71 |
| – considered doubtful | | 4.46 | 4.46 |
| (b) Others - considered good * | | 5970.70 | 2094.24 |
| | | 6066.34 | 2634.41 |
| Less : Provision for Doubtful Debts | | 4.46 | 4.46 |
| TOTAL | | 6061.88 | 2629.95 |

* Includes secured debtors of Rs. 2288.29 Millions (Previous year 622.64 Millions)



| | | As at 31st March, 2004 (Rs. in Millions) | As at 31st March, 2003 (Rs. in Millions) |
|---|---|---|---|
| **SCHEDULE 9** | | | |
| **CASH AND BANK BALANCES :** | | | |
| Cash in hand | | 12.26 | 12.40 |
| Balance with Scheduled Banks in : | | | |
| (i) Current Accounts includes Cheques in Hand | | 1330.91 | 345.00 |
| (ii) Deposit Accounts | | 8669.36 | 6258.46 |
| (iii) Dividend/Debenture/Debenture Interest Accounts | | 80.59 | 178.77 |
| Balance with Non Scheduled Banks | | 246.61 | 74.53 |
| TOTAL | | 10339.73 | 6869.16 |
| **SCHEDULE 10** | | | |
| **LOANS & ADVANCES (UNSECURED & CONSIDERED GOOD UNLESS OTHERWISE STATED) :** | | | |
| Advances recoverable in cash or in kind or for value to be received | | | |
| – Considered Good* | 3283.24 | | 4397.71 |
| – Considered Doubtful | 173.86 | | 219.57 |
| | 3457.10 | | 4617.28 |
| Less : Provision for Doubtful Advances | 173.86 | | 219.57 |
| | | 3283.24 | 4397.71 |
| Balances with Central Excise Authorities | | | |
| – Considered Good | 876.18 | | 810.23 |
| – Considered Doubtful | 6.87 | | 6.87 |
| | 883.05 | | 817.10 |
| Less : Provision for Doubtful Advances | 6.87 | | 6.87 |
| | | 876.18 | 810.23 |
| Income Tax - Advance Tax and Tax Deducted at Source (Net) | | 2975.56 | 1435.68 |
| TOTAL | | 7134.98 | 6643.62 |

* Includes secured advances of Rs. 297.15 Millions (Previous year 431.48 Millions)

## SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

| | | As at 31st March, 2004 (Rs. in Millions) | As at 31st March, 2003 (Rs. in Millions) |
|---|---|---|---|
| **SCHEDULE 11** | | | |
| **CURRENT LIABILITIES & PROVISIONS :** | | | |
| **1. Current Liabilities :** | | | |
| Acceptances | | **2972.29** | 4296.38 |
| Sundry Creditors | | | |
| (i) Small scale industrial undertaking(s) | **2.65** | | 1.90 |
| (ii) Others | **10221.89** | **10224.54** | 6492.97 |
| Investor Education and Protection Fund | | | |
| (a) Unclaimed Dividend | | **58.67** | 73.78 |
| (b) Unclaimed Application money received for allotment of securities and due for refund | | **0.00** | 1.88 |
| (c) Unclaimed Matured Deposits | | **0.80** | – |
| (d) Unclaimed Matured Debentures | | **17.40** | 19.03 |
| (e) Interest Accrued on (a) to (d) above | | **20.48** | 28.25 |
| Interest accrued but not due on Loans | | **450.58** | 311.51 |
| Lease Liability | | **4.32** | 9.91 |
| | | **13749.08** | 11235.61 |
| **2. Provisions :** | | | |
| Provision for Current Tax | | **2838.09** | 1101.29 |
| Provision for Dividend on Preference Shares & Tax thereon | | **0.18** | – |
| Proposed Dividend Equity Shares | | **215.40** | 197.59 |
| Provision for Tax on Proposed Dividend | | **84.01** | 45.24 |
| Provision for Dividend to Minority Equity Shareholder of Subsidiary and Tax thereon | | **295.07** | 205.92 |
| Provision for Staff Benefit Schemes | | **414.73** | 498.69 |
| Provision for Rehabilitation | | **421.10** | 387.64 |
| Provision for Contingencies | | **336.79** | – |
| | | **4605.37** | 2436.37 |
| TOTAL | | **18354.45** | 13671.98 |

| | | |
|---|---|---|
| **SCHEDULE 12** | | |
| **MISCELLANEOUS EXPENDITURE** | | |
| (to the extent not written off or adjusted) | | |
| Share/Floating Rate Note issue Expenditure | **11.58** | **19.24** |
| Voluntary Retirement Scheme Expenditure | **302.95** | **2512.80** |
| | **314.53** | **2532.04** |

## SCHEDULES FORMING PART OF THE CONSOLIDATED PROFIT & LOSS ACCOUNT

| | | Year ended 31st March, 2004 (Rs. in Millions) | Year ended 31st March, 2003 (Rs. in Millions) |
|---|---|---|---|
| **SCHEDULE 13** | | | |
| **OTHER INCOME :** | | | |
| Dividend on Current Investments | | **11.15** | 0.43 |
| Profit on Sale of : Long Term Investments (net) | | **24.68** | – |
| Current Investments (net) | | **15.13** | |
| Profit on sale/discarding of Fixed Assets (net) | | **–** | 34.30 |
| Interest on | | | |
| Long term Investment | | **–** | – |
| Others | | **838.82** | 816.17 |
| Unclaimed Liablities written back (Net) | | **140.33** | 72.51 |
| Deferred government grant transferred | | **0.06** | 0.06 |
| Miscellaneous Income | | **569.61** | 460.00 |
| | TOTAL | **1599.78** | 1,383.47 |
| **SCHEDULE 14** | | | |
| **INCREASE/(DECREASE) IN STOCK :** | | | |
| Closing Stock : | | | |
| Work-in-Process | | **4221.04** | 3905.80 |
| Finished Goods | | **1663.45** | 1446.57 |
| | | **5884.49** | 5352.37 |
| Opening Stock : | | | |
| Work-in-Process | | **3905.80** | 1325.74 |
| Finished Goods | | **1446.57** | 1142.06 |
| Acquired on Acquisition of Subsidiary | | | |
| Work-in-Process | | **–** | 2524.16 |
| Finished Goods | | **–** | 1275.05 |
| | | **5352.37** | 6267.01 |
| Increase/(Decrease) in Stock : | TOTAL | **532.12** | (914.64) |
| **SCHEDULE 15** | | | |
| **MANUFACTURING & OTHER EXPENSES :** | | | |
| Raw materials consumed | | **21166.83** | 13,598.84 |
| Stores & Spares | | **2738.35** | 2354.37 |
| Power, Fuel & Water | | **6387.58** | 6663.50 |
| Machinery Repairs | | **1564.17** | 1479.49 |
| Building Repairs | | **106.30** | 63.75 |
| Other Repairs | | **164.05** | 103.84 |
| Carriage Inward | | **779.05** | 577.17 |
| Excise Duty | | **(19.72)** | (139.61) |
| Rehabilitation and Redundancy | | **(5.55)** | 17.36 |
| Mining Expenses | | **1668.09** | 1163.08 |
| Lease Rental | | **–** | 3.99 |
| Other Manufacturing Expenses | | **3141.89** | 1640.11 |
| | TOTAL | **37691.04** | **27525.89** |
| **SCHEDULE 16** | | | |
| **PERSONNEL :** | | | |
| Salaries, Wages, Bonus & Commission | | **2903.01** | 3081.57 |
| Contribution to Provident Fund, ESIC and other Funds | | **250.18** | 249.36 |
| Employees' Welfare & Other Amenities | | **490.63** | 501.74 |
| Employees Stock Option Expenses | | **–** | (41.15) |
| Gratuity | | **159.87** | 505.49 |
| | TOTAL | **3803.69** | 4297.01 |

## SCHEDULES FORMING PART OF THE CONSOLIDATED PROFIT & LOSS ACCOUNT

| | | | Year ended 31st March, 2004 (Rs. in Millions) | Year ended 31st March, 2003 (Rs. in Millions) |
|---|---|---|---|---|
| **SCHEDULE 17** | | | | |
| **SELLING AND DISTRIBUTION :** | | | | |
| Packing Expenses | | | **159.28** | 155.89 |
| Carriage Outward | | | **856.87** | 778.87 |
| Commission & Brokerage | | | **79.35** | 31.35 |
| Other Expenses | | | **326.43** | 81.15 |
| | TOTAL | | **1421.93** | 1047.26 |
| **SCHEDULE 18** | | | | |
| **ADMINISTRATION & GENERAL :** | | | | |
| Rent | | | **6.30** | 6.69 |
| Rates & Taxes | | | **42.60** | 45.69 |
| Insurance | | | **152.65** | 119.65 |
| Conveyance & Travelling Expenses | | | **121.47** | 94.30 |
| Loss on sale/discarding of Fixed Assets (net) | | | **91.16** | – |
| Loss on sale of Current Investments (net) | | | – | 16.45 |
| Directors' Sitting Fees | | | **0.46** | 0.35 |
| Bad Debts and Advances : | | | | |
| For the year | | **69.19** | | |
| Less : Adjusted against Provision for Doubtful Debts and Advances | | **57.16** | **12.03** | 27.45 |
| Provision for doubtful debts/advances | | | **10.02** | – |
| General Expenses | | | **1,204.58** | 1,002.92 |
| Foreign Exchange Difference (net) | | | **(577.30)** | 162.62 |
| Provision for Diminution in Value of Current Investment | | | – | 0.12 |
| Misc. Expenditure Written Off | | | **7.51** | 20.75 |
| | TOTAL | | **1071.48** | 1496.99 |
| **SCHEDULE 19** | | | | |
| **INTEREST & FINANCE CHARGES (Net) :** | | | | |
| On Debentures and Fixed Loans | | | **917.82** | 980.27 |
| Others | | | **330.32** | 795.37 |
| Bank charges | | | **268.01** | 136.68 |
| | | | **1516.15** | 1912.32 |
| Less:Interest Received from Customers | | | **71.16** | 106.48 |
| | TOTAL | | **1444.99** | 1805.84 |

**SCHEDULE 20**

**NOTES FORMING PART OF THE CONSOLIDATED ACCOUNTS :**

1. Statement of significant accounting policies :

(a) Basis of Consolidation:

(I) The Consolidated Financial Statements relate to Sterlite Industries (India) Limited ('the company'), its subsidiary companies and its associate company. The Consolidated financial statements have been prepared on the following basis :

(i) The financial statements of the Company and its subsidiary companies have been combined on a line-by-line basis by adding together the value of like items of assets, liabilities, income and expenses after fully eliminating intra-group balances and intra-group transactions resulting in unrealised profit or loss.

(ii) The consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances with certain exceptions mentioned in Note 7 below and are presented to the extent possible, in the same manner as the Company's separate financial statements.

(iii) The excess of cost to the Company of its investment in the subsidiary companies over the net assets is recognised in the financial statements as Goodwill, which is not being amortised.

(iv) Minority Interest's share of net profit of Consolidated financial statements for the year is identified and adjusted against the income of the group in order to arrive at the net income attributable to shareholders of the Company.

(v) Minority Interest's share of net assets of consolidated subsidiaries is identified and presented in the consolidated balance sheet separate from liabilities and the equity of the Company's shareholders.

(vi) In case of associate where the Company directly or indirectly through subsidiaries holds more than 20% of Equity Investments in associate are accounted for using equity method in accordance with Accounting Standard (AS) 23 - "Accounting for Investments in associates in Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India .

(vii) The Company accounts for its share in the change in the net assets of the associate, post acquisition, after eliminating unrealised profits and losses resulting from transaction between the Company and its associate to the extent of its share, through its profit and loss account to the extent such change is attributable to the associate's profit and loss account and through its reserves for the balance, based on available information.

(viii) The difference between the cost of investment in the associate and the share of net assets at the time of acquisition of shares in the associate is identified in the financial statements as Goodwill or Capital Reserve as the case may be.

(II) Financial Statements of Foreign Subsidiaries - Monte Cello BV, Thalanga Copper Mines Pty Limited and Copper Mines of Tasmania Pty Limited have been converted in Indian Rupees at following Exchange Rates :-

(i) Revenue and Expenses : At the Average of the year.

(ii) Assets and Liabilities : At the end of the year.

The resultant translation exchange difference has been transferred to Foreign Currency Translation Reserve.

(b) Investments other than in subsidiaries and associates have been accounted as per Accounting Standard 13 on Accounting for Investments.

(c) Other significant accounting Policies:

These are set out in the notes to accounts under significant accounting policies for financial statements of the respective companies - Sterlite Industries (India) Limited (SIIL), Copper Mines of Tasmania Pty Limited (CMT), Thalanga Copper Mines Pty Limited (TCM), Monte Cello BV, Bharat Aluminium Company Limited (BALCO), Sterlite Paper Limited, Vedanta Alumina Limited (Formerly Sterlite Transmission Limited ), Sterlite Opportunities and Ventures Limited (SOVL), Sterlite Copper Limited (SCL), Hindustan Zinc Limited (HZL).

2. (i) Following Subsidiary Companies have been considered in the preparation of Consolidated Financial Statements:

| Name of the Company | Country of Incorporation | Basis of Subsidiary | % Voting Power held by the parent |
|---|---|---|---|
| Copper Mines of Tasmania Pty Limited^ | Australia | Shareholding | 100 |
| Thalanga Copper Mines Pty Limited^ | Australia | Shareholding | 100 |
| Monte Cello BV | Netherland | Shareholding | 100 |
| Bharat Aluminium Company Limited | India | Shareholding | 51 |
| Sterlite Paper Limited | India | Shareholding | 100 |
| Vedanta Alumina Limited (Formerly Sterlite Transmission Limited) | India | Shareholding | 100 |
| Sterlite Opportunities and Ventures Limited | India | Shareholding | 100 |
| Sterlite Copper Limited | India | Shareholding | 100 |
| Hindustan Zind Limited | India | Board Control * Shareholding | 46 upto 29th Oct, 2003 64.92 from 30th Oct, 2003 |

^ 100% subsidiary of Monte Cello BV

* Consequent to share purchase and shareholder's agreement entered between Government of India and Sterlite Opportunities and Ventures Limited as on 4th April, 2003, HZL became subsidiary of SOVL which has power to control the composition of Board of Directors of HZL. Subsequent to further share acquisition as of 30th October, 2003 HZL is now subsidiary of SOVL on shareholding Basis.

(ii) Following Associate Company has not been considered in the preparation of Consolidated Financial Statements as the same is in process of liquidation .

| Name of the Company | Country of Incorporation | % Voting Power held by the Investor |
|---|---|---|
| Sterlite International Limited | Hongkong | 35% |

3. (i) The Financial Statements of the Company and its subsidiary companies are for the period from 1st April, 2003 to 31st March, 2004 and for the previous period from 1st April, 2002 to 31st March, 2003 except in respect of the following Subsidiary Company for which the Financial Statements considered for consolidation are for a period as mentioned below :-

| Financial Year | Name of the Company | Accounting period |
|---|---|---|
| 2003-04 | Sterlite Copper Limited | 13th January, 2003 to 31st March, 2004 |
| 2002-03 | Monte Cello BV | 1st January, 2002 to 31st March, 2003 |
| | Sterlite Opportunities and Ventures Limited | 11th January, 2002 to 31st March, 2003 |

(ii) Figures of the previous year are not comparable because of difference in accounting period as stated in note 3(i) above.

(iii) Financial statements of Monte Cello BV have not been audited in accordance with the Statutory size exemption under Article 396, Title 9, Book 2, of the Dutch civil code.

(v) For year 2002-2003 the financial statements of Copper Mines Tasmania Pty Ltd. was unaudited and were consolidated on the basis of certification provided by the management.

4. To be in line with Accounting Standard 11 (Revised), " The Effects of Changes in Foreign Exchange Rates" mandatory with effect from 1st April, 2004, the translation exchange difference in respect of assets and liabilities as on 31st March, 2004 has been transferred to " Foreign Currency Translation Reserve" as against the company's policy of charging the same to Profit and Loss Account till 31st March, 2003. This change in accounting policy has resulted in increase in the profit for the year ended 31st March, 2004 by Rs. 243.71 Millions.

5. CMT reported operating losses after income tax for the year ended 31st March, 2003 and year ended 31st March, 2004 and negative cashflows from operating activities for the year ended 31st March, 2003; there was deficiency in net assets as at 31st March, 2003 and 31st March, 2004. CMT has obtained a letter of financial support from the Company confirming that it accepts responsibility of providing and undertakes to provide sufficient financial assistance to CMT as and when it is needed to enable CMT to continue its operation and fulfil all of its financial obligations now and in future. This undertaking is provided for a minimum period of eighteen months from 31st December, 2003.

As a result of the confirmation of financial support from the Company, the Directors of the CMT believe that it has the ability to pay its debts as and when they fall due.

6. In Accordance with AASB 1028 "Employee Benefits", on 1 April 2003, Copper Mines of Tasmania Pty Ltd., changed its policy for recognising provisions for annual leave. Under the new policy the amount of the provision is calculated using the remuneration rate expected to apply at the time of settlement, rather than the remuneration rate that applies at the reporting date. No adjustments have been made to opening retained earnings as a consequence of the change in accounting policy as the amount is insignificant and has been recorded in the current year net profit.

7. In respect of following items Accounting Policies followed by the subsidiary companies are different than that of the Company :

| Item | Particulars | | Rs. in Millions | Proportion to the Item |
|---|---|---|---|---|
| (a) Depreciation | BALCO has charged depreciation on certain assets at following rates as against Schedule XIV rates of The Companies Act, 1956, followed by the Company : | | | |
| | (i) Medical/Office Equipment, Air Conditioners, Furniture and Electrical Appliances | 20% | 8.45 | 0.30% |
| | (ii) Personal Computer and Electronic Equipment | 33.33% | 4.35 | 0.16% |
| | (iii) Leasehold land including land development expenses | Over 20 Years | 3.75 | 0.13% |
| | (iv) Red Mud Pond and Ash Dyke | Over technically estimated life | 41.20 | 1.48% |
| | (v) Development of Mines | Over 5 Years | 1.24 | 0.04% |
| | Vedanta Alumina has charged depreciation on certain assets at following rates as against Schedule XIV rates of The Companies Act, 1956 followed by the Company : | | | |
| | (i) Office Equipment, Air Conditioners, Furniture and Electrical Appliances | 20% | 0.48 | 0.02% |
| | (ii) Personal Computer | 33.33% | 0.25 | 0.01% |
| | CMT and TCM have charged depreciation on Buildings, Plant & Machinery over its expected useful life as against Schedule XIV rates of The Companies Act, 1956, followed by the Company. | | 175.03 | 6.28% |
| | HZL has charged depreciation on certain assets at following rates as against Schedule XIV rates of The Companies Act, 1956, followed by the Company : | | | |
| | Individual items of Plant & Machinery and vehicles costing upto Rs. 25,000/- | 100% | 1.01 | 0.04% |
| (b) Fixed Assets | For the purpose of depreciation, in case of HZL additions/disposals are reckoned on the first day and last day of quarter respectively. | **Additions**<br>**Disposals** | 628.43<br>610.58 | 11.63%<br>68.37% |
| (c) Inventory | CMT, TCM, BALCO and HZL has determined Cost of Inventory as per Weighted average method as against FIFO method being followed by the Company. | | 3827.09 | 44.57% |
| | HZL determines value of stock in progress at cost or net realisable value whichever is lower. | | 1855.70 | 43.96% |
| (d) Non-Current assets | In case of CMT and TCM, where the carrying amount of a non-current asset is greater than its recoverable amount, the asset is written down to its recoverable amount as against the historical cost method followed by the Company. | | 1334.46 | 2.09% |

| Item | Particulars | Rs. in Millions | Proportion to the Item |
|---|---|---|---|
| (e) Borrowing Cost | CMT and TCM recognises all borrowing costs as an expense in the period in which they are incurred whereas in case of the Company, borrowing cost attributable to acquisition or construction of qualifying assets are capitalised as part of the cost of such assets upto the date when such assets are ready for intended use. | 6.50 | 0.45% |
| (f) Repairs & Maintenance | In case of CMT and TCM, cost of replacement of a componenet of an asset is capitalised as against charged to Profit and Loss Account by the Company. | Not Ascertainable | Not Ascertainable |

8. Break-up of deferred tax liability arising out of timing difference are :

| | | **As at 31st March, 2004 (Rs. In Millions)** | | As at 31st March, 2003 (Rs. In Millions) |
|---|---|---|---|---|
| **Liabilities** | | | | |
| Related to Fixed Assets | | **5,740.11** | | 5755.54 |
| **Assets** | | | | |
| Provision for doubtful advances | **105.22** | | 130.21 | |
| Payment for VRS | **742.56** | | 51.86 | |
| Others | **274.80** | | 193.31 | |
| | | **(1122.58)** | | (375.38) |
| Deferred tax liability (net) | | **4,617.53** | | 5380.16 |

9. Capital Work-in-Progress includes :

| | **Current Year (Rs. In Millions)** | Previous Year (Rs. In Millions) |
|---|---|---|
| a. Advances for Capital expenditure | **5507.15** | 429.98 |
| b. Pre-operative expenditure as follows :- | | |
| Opening Balance | **39.86** | 19.20 |
| Add : Pre-operative expenditure transferred from Profit & Loss Account | **122.73** | 22.86 |
| Foreign Exchange difference | **(174.43)** | – |
| Interest, commitment & finance charges | **355.76** | 3.95 |
| | **343.93** | 46.01 |
| Less : Capitalised during the year | **71.71** | 6.15 |
| | **272.21** | 39.86 |

10. (a) The Lonavala and Sanaswadi units of the Company are not in operation since 1998 and 2000 respectively. In compliance with Accounting Standard 28 "Impairment of Assets", a provision for impairment amounting to Rs. 80 Millions and Rs. 305 Millions have been made for Plant and Machinery at Lonawala and Sanaswadi units respectively. The Sterlite Paper Limited has impaired its Capital work in progress by Rs. 475 Millions.

(b) In view of significant uncertainty as to whether Copper Mines of Tasmania Pty Ltd., (a wholly owned subsidiary of Monte Cello BV) will be able to continue as a going concern as reported by the auditors of CMT, Rs. 790 Millions has been impaired from Goodwill on consolidation.

(c) As per opinion obtained by the Company the items referred to in Para (a) and (b) above have been presented as extraordinary items and an equivalent amount (aggregating to Rs. 1650 Millions) has been withdrawn from General Reserve, which is credited to Profit and Loss account.

11. Payment to Auditors comprise of :

| | | Current Year (Rs. In Millions) | Previous Period (Rs. In Millions) |
|---|---|---|---|
| (a) | Statutory Auditors : | | |
| | Audit fees | **9.44** | 5.50 |
| | Other services - Tax Audit fees | **2.77** | 1.88 |
| | Others | **0.27** | 0.21 |
| | Out of pocket expenses | **0.68** | 1.01 |
| | | **13.16** | 8.60 |
| (b) | Cost Auditors : | | |
| | Cost Audit fees | **0.10** | 0.31 |
| | | **0.10** | 0.31 |

12. Managerial Remuneration :

| | | Current Year (Rs. In Millions) | Previous Period (Rs. In Millions) |
|---|---|---|---|
| (i) | Salary | **30.55** | 20.87 |
| (ii) | Contribution to Provident Fund | **2.90** | 2.42 |
| (iii) | Commission | **14.66** | 17.19 |
| (iv) | Other Benefits | **5.87** | 4.52 |
| | | **53.98** | 45.00 |

13. In accordance with the Hon'ble Supreme Court's directives, Balco has made an advance payment of Rs. 61.44 Millions to the workmen during the period of strike from 2 March, 2001 to 8 May, 2001. The Hon'ble Supreme Court has not so far given any direction in this matter.

14. In respect of Red Mud Pond No. 6 and 7, which was taken on lease from Government of Chhattisgarh (erstwhile Madhya Pradesh), the State Government made a demand of Rs. 15.07 Millions for lease premium at a rate of Rs. 4 per sq. feet, which was not accepted by Balco. Instead, capitalisation was done for an amount of Rs. 2.55 Millions at the rate of Rs. 0.68 per sq. feet being the rate at which a private land was acquired by the State Government at more or less the same time and amortisation is being made with reference to Rs. 2.55 Millions. This has resulted in an under capitalisation of leased land by Rs. 12.52 Millions and shortfall in amortisation of Rs. 8.76 Millions (including Rs. 0.62 millions for the current Year). Also the lease rent is being provided at the rate of Rs. 20/- per acre instead of Rs. 13,080/- per acre as demanded by the State Government which has resulted in a shortfall in lease charges amounting to Rs. 16.93 Millions (including Rs. 1.13 Millions for the current year).

15. Balco is yet to execute an agreement for the purchase of 171.44 acres of Korba Super Thermal Power Station land for captive power plant and 34.74 acres land for captive power plant quarters. This land was transferred at the time of takeover of captive power plant from National Thermal Power Corporation of India Limited.

16. Balco has not made any provision for claims recoverable from Madhya Pradesh Electricity Board (MPEB)/ Chhattisgarh State Electricity Board (CSEB) amounting to Rs. 100.76 Millions, which are disputed by them. Balco is also disputing the claims for surcharge made by MPEB/CSEB amounting to Rs. 62.37 Millions, which has been included under contingent liability. The net amount recoverable/payable can only be ascertained on settlement of these disputes.

17. Consequent to the abandonment of the Gandhamardhan Bauxite Project, based on the approval of the Ministry of Mines vide its Letter No.21/1/2000-MET 1 dated 9 June 2000 and the approval of the Company Law Board vide its Letter No. 41/1/2001 CL III dated 16 February, 2001, Balco had, during the year 2000-01 reduced its paid up share capital by Rs. 238 Millions.

18. Unamortised voluntary retirement scheme (VRS) expenditure of Balco pertaining to the previous year is being amortised over a period of five years. During the year, Balco has charged to the profit and loss account entire compensation paid under new VRS. As a result of this policy, the VRS charge for the year ended March 31, 2004 is higher by Rs. 466.04 Million and the profit after taxation for the year is lower to that extent.

19. During the year, Hindustan Zinc Limited has charged to the profit and loss account unamortised voluntary retirement expenditure pertaining to the previous year as well as voluntary retirement expenses paid during the year. As a result of this change in accounting policy the voluntary retirement expenditure charge for the year ended March 31, 2004 is higher by Rs. 1531.53 Millions and the profit after tax and extraordinary items for the year is lower by Rs. 982.09 Millions.

20. Intangible assets represents Rs. 983.87 Millions (Previous year Rs. 830.43 Millions) being long term investment in equity shares of Andhra Pradesh Gas Power Corporation Limited, Hyderabad which entitles the Company to draw power in Andhra Pradesh for its Visakhapatnam Unit. This has been depreciated as a fixed asset. Depreciation for the year is Rs. 44.91 Millions (Previous year Rs. 98.61 Millions), cumulative Rs. 143.52 Millions (Previous year Rs. 98.61 Millions).

21. In terms of Scheme of Arrangement (Scheme) as approved by the Hon'ble High Court of Judicature at Mumbai, vide its order dated 19th April, 2002 :

(a) The Company purchased 20,068,004 equity shares of Rs. 5/- each from the shareholders and the same were cancelled in the year 2002-2003. Accordingly, the issued, subscribed and paid up equity shares of the Company was reduced by Rs. 100.34 Millions.

(b) In consideration for the above, the Company paid in the year 2002-2003 Rs. 150/- for each equity share by way of Rs.100/- in cash and issue of 5 secured redeemable non-convertible debentures of Rs. 10/- each. The excess of purchase consideration over the face value of shares purchased was adjusted to the share premium account.

(c) The Company will be making further application to the Hon'ble High Court to cancel and consequently reduce 96,776 equity shares of Rs. 5/- each purchased under the direction of the court from shareholders during the specified period. These Shares are pending for clearance from NSDL/CDSL. In view thereof, no bonus shares were issued to such shareholders during the year.

(d) An appeal was filed against the Order of Hon'ble High Court of Judicature at Mumbai dated 19th April, 2002 with the Division Bench of the same court which was inter alia dismissed. SEBI and Department of Company Affairs have since filed special leave petition against the judgement. Though the same has been admitted, no stay has been granted.

22. (a) The Debentures referred to in Schedule 4 of Balance Sheet at A are due for redemption as follows:

13.25% debentures on 30th June, 2004 of Rs. 235 Millions; 13.25% debentures on 30th June, 2004 of Rs. 133.33 Millions and on 30th June, 2005 of Rs. 133.34 Millions; 12.25% debentures on 30th Jan, 2005 of Rs. 500 Millions; 11.83% debentures on 1st Feb., 2005 of Rs. 250 Millions; 7.87% debentures on 10th April, 2010 of Rs. 400 Millions; 8% debentures on 10th April, 2013 of Rs. 600 Millions; 7% debentures on 9th July, 2004 of Rs. 500 Millions; 7% debentures on 9th July, 2005 of Rs. 500 Millions; 7% debentures on 9th July, 2006 of Rs. 500 Millions; 7% debentures on 9th July, 2007 of Rs. 500 Millions; 7% debentures on 9th July, 2008 of Rs. 500 Millions.

(b) The Debentures referred to in Schedule 5 of Balance Sheet at C (iii) are due for redemption as follows :

7.25% Debentures on 27th July, 2004 of Rs. 1000 Millions and 7% debentures on 12th April, 2004 of Rs. 750 Millions.

23. In connection with a guarantee facility obtained by Sterlite Opportunities & Ventures Limited (SOVL) from ICICI Bank in favour of trustees for Secured Non-Convertible Debentures of Rs. 2,500 Millions issued by SOVL during the year the company granted an option to the ICICI Bank to require the Company to purchase all the receivables under the guarantee agreement that arise during the currency of the facility.

24. The Alumina Refinery project of Company at Lanjigarh, Orissa will be implemented by Vedanta Alumina Ltd. (Formerly, Sterlite Transmission Limited), a wholly owned subsidiary Company and accordingly, assets including plant and machinery, civil constructions etc., liabilities and advances made to contractors/suppliers in respect of the project have been transferred to Vedanta Alumina Ltd. during the year.

25. In compliance with Accounting Standard - 26 Intangible Assets, expenses incurred in connection with the issue of Foreign Currency Convertible Bonds amounting to Rs. 51.81 Millions have been charged to Profit & Loss Acccount during the year as against amortising the same over the tenure of the Bonds. This change in accounting policy has resulted in reduction in profit for the year by Rs. 33.22 Millions (net of taxes).

26. In view of sharp fluctuation in LME/LMBA prices of Copper, Gold and Silver during the year the Company has reinstated the cost of purchase of copper concentrate and export of slime at closing LME rate of Copper and LMBA rate of precious metals in those cases where quotational period price is not finalised as at year end as against the earlier practice of accounting these on provisional invoice basis only. This has resulted in increase in turnover, consumption of copper concentrate and inventory by Rs. 8.27 Millions, Rs. 559.55 Millions and Rs. 162.99 Millions respectively and decrease in profit of the year by Rs. 248.99 Millions (net of taxes).

27. During the Year, the company has paid an additional amount of Rs. 485 Millions towards acquisition of equity shares of Sterlite Opportunities and Ventures Ltd., which is now a wholly owned subsidiary Company.

28. Thalanga Copper Mines Pty Limited has entered into various joint venture operations for the purposes of mining and processing of copper concentrate and exploration for copper and other base metals. The companies participating interest in these joint ventures and entitlement to output is detailed below. At 31 March, 2004 a formal Joint Venture agreement had not been signed by both Thalanga Copper Mines Pty Ltd. and BML Holdings Pty Ltd. for the Reward Deeps project. However, the operations continue as a joint venture under the Mt Windsor exploration joint venture agreement.

The Joint Ventures reporting date is 30 June.

Highway : 70.00%

Reward : 68.85%

Exploration : 70.00%

Reward Deeps* : 70.00%

The Company's interests in the assets employed in these joint ventures are included in the balance sheet under the following classifications :

| Current Year | Highway | Reward | Exploration | Reward Deeps* & convictions | Total |
|---|---|---|---|---|---|
| Current assets | | | | | |
| Cash | 0.33 | 17.86 | – | – | **18.19** |
| Other | 53.31 | 3.83 | 0.30 | 212.81 | **270.25** |
| **Total Current Assets** | **53.64** | **21.69** | **0.30** | **212.81** | **288.44** |
| Fixed Assets | | | | | |
| Plant and equipment – at cost | 51.36 | 35.35 | – | 2.98 | **89.69** |
| Mine Development | – | – | – | 331.60 | **331.60** |
| Capital work In Progress | – | – | – | 6.48 | **6.48** |
| **Total Fixed Assets** | **51.36** | **35.35** | – | **341.06** | **427.77** |
| **Share of Assets employed in Joint Venture** | **105.00** | **57.04** | **0.30** | **553.87** | **716.21** |

* Reward Deeps : The Company has 70% interest in the Reward Deeps and Conviction Project, the formal joint venture agreement for which had not been signed at the Balance Sheet date

(Rs. In Millions)

| Previous Year | Highway | Reward | Exploration | Reward Deeps* & convictions | Total |
|---|---|---|---|---|---|
| Current assets | | | | | |
| Cash | 0.29 | 14.84 | – | – | **15.13** |
| Other | 76.70 | 12.61 | 0.03 | 55.58 | **144.92** |
| **Total Current Assets** | **76.99** | **27.45** | **0.03** | **55.58** | **160.05** |
| Fixed Assets | | | | | |
| Plant and equipment – at cost | 45.04 | 30.63 | – | 2.58 | **78.25** |
| Mine Development | – | – | – | 287.29 | **287.29** |
| Capital work In Pro~gress | – | – | – | 4.33 | **4.33** |
| **Total Fixed Assets** | **45.04** | **30.63** | – | **294.20** | **369.87** |
| **Share of Assets employed in Joint Venture** | **122.03** | **58.08** | **0.03** | **349.78** | **529.92** |

* Reward Deeps : The Company has 70% interest in the Reward Deeps and Conviction Project, the formal joint venture agreement for which had not been signed at the Balance Sheet date

| | **Current Year (Rs. In Millions)** | Previous Year (Rs. In Millions) |
|---|---|---|
| 29. Payment schedule of Lease Liability of Copper Mines of Tasmania Pty Ltd., are as follows : | | |
| Within one year | **4.50** | 5.93 |
| Later than one year but not later than 5 years | – | 4.76 |
| Later than 5 years | **NIL** | NIL |
| Minimum Lease payment | **4.50** | 10.69 |
| Less: Future finance charges | **0.18** | 0.78 |
| Recognised as a liability | **4.32** | 9.91 |

30. The investments of SOVL include 9,512,801 equity shares of Hindustan Zinc Limited, lying in escrow account pending completion of formalities with Securities and Exchange Board of India ("SEBI"). The above shares include 100 equity shares of HZL to be returned to a shareholder in terms of the open offer.

**31.** Segment Information as per Accounting Standard 17 on Segment Reporting for the year ended 31st March 2004

I) Information about Primary Business Segements.

**(Rs. in Millions)**

| Particulars | Business Segments | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Copper | | Aluminum | | Zinc & Lead | | Others | | Unallocated | | Eliminations | | Total | |
| | Current Year | Previous Year | Current Year | Previous Year | Current Year | Previous Year | Current Year | Previous Year | Current Year | Previous Year | Current Year | Previous Year | Current Year | Previous Year |
| **Revenue** | | | | | | | | | | | | | | |
| External Sales | 27,394.69 | 20,000.65 | 13,301.02 | 11,611.12 | 20,706.83 | 15,757.89 | 1,748.39 | 1,521.61 | – | – | | | 63,150.93 | 48,891.27 |
| Intra Segment Sales | 18,986.11 | 12,730.22 | 418.32 | 384.47 | – | – | – | | – | | (19,404.43) | (13,114.69) | – | |
| Inter-Segment Sales | 404.71 | 297.51 | 27.88 | 12.07 | – | 65.65 | – | – | – | – | (432.59) | (375.23) | – | – |
| Gross Turnover | 46,785.51 | 33,028.38 | 13,747.22 | 12,007.66 | 20,706.83 | 15,823.54 | 1,748.39 | 1,521.61 | – | – | (19,837.02) | (13,489.92) | 63,150.93 | 48,891.27 |
| Less:Excise Duty recovered on Sales | 1,814.13 | 1,475.54 | 1,780.66 | 1,549.11 | 2,375.19 | 1,974.59 | 32.01 | | – | | | | 6,001.99 | 4,999.24 |
| **Total Revenue** | 44,971.38 | 31,552.84 | 11,966.56 | 10,458.55 | 18,331.64 | 13,848.95 | 1,716.38 | 1,521.61 | – | – | (19,837.02) | (13,489.92) | 57,148.94 | 43,892.03 |
| **Results** | | | | | | | | | | | | | | |
| Segment Result | 3,375.36 | 3,094.86 | 439.90 | 599.65 | 4,959.73 | 1,622.20 | (104.76) | 8.07 | – | – | | | 8,670.23 | 5,324.78 |
| Unallocated Corporate Expenses | – | – | – | – | – | – | – | – | 462.07 | 410.19 | | | 462.07 | 410.19 |
| **Operating Profit/(loss)** | 3,375.36 | 3,094.86 | 439.90 | 599.65 | 4,959.73 | 1,622.20 | (104.76) | 8.07 | (462.07) | (410.19) | | | 8,208.16 | 4,914.59 |
| Less: Interest Expenses | – | – | – | – | – | – | – | – | 1,444.99 | 1,805.84 | | | 1,444.99 | 1,805.84 |
| Add : Other Income | 41.14 | 33.87 | 527.63 | 527.68 | 892.25 | 666.32 | 3.89 | – | 134.87 | 155.60 | | | 1,599.78 | 1,383.47 |
| Less: Income Tax (including Deferred Tax) | – | – | – | – | – | – | – | – | 1,861.37 | 1,454.72 | | | 1,861.37 | 1,454.72 |
| **Net Profit/(Loss)** | 3,416.50 | 3,128.73 | 967.53 | 1,127.33 | 5,851.98 | 2,288.52 | (100.87) | 8.07 | (3,633.56) | (3,515.15) | | | 6,501.58 | 3,037.50 |
| Less: Pre-acquisition profit transferred to Goodwill | – | – | – | – | 403.13 | 11.99 | – | – | – | | | | 403.13 | 11.99 |
| **Net Profit/(Loss)** | 3,416.50 | 3,128.73 | 967.53 | 1,127.33 | 5,448.85 | 2,276.53 | (100.87) | 8.07 | (3,633.56) | (3,515.15) | | | 6,098.45 | 3,025.51 |
| **Other Information** | | | | | | | | | | | | | | |
| **Segment Assets** | 28,884.28 | 25,978.08 | 26,749.56 | 15,063.21 | 32,294.09 | 19,809.37 | 3,491.47 | 4,163.95 | | | | | 91,419.40 | 65,014.61 |
| **Unallocated Corporate Assets** | | | | | | | | | 4,762.77 | 2,091.88 | | | 4,762.77 | 2,091.88 |
| **Segment Liabilities** | 6,300.50 | 5,947.76 | 4,668.10 | 3,196.62 | 6,729.51 | 3,489.53 | (28.69) | 178.68 | – | – | | | 17,669.42 | 12,812.59 |
| **Unallocated Corporate Liabilities** | | | | | | | | | 52,705.94 | 30,454.24 | | | 52,705.94 | 30,454.24 |
| **Capital Expenditure** | 3,547.85 | 1,484.90 | 8,879.55 | 501.75 | 3,098.30 | 892.25 | 19.06 | 50.04 | 163.67 | 4.44 | | | 15,708.43 | 2,933.38 |
| **Depreciation & Amortisation** | 1,350.26 | 1,440.52 | 543.58 | 434.39 | 751.74 | 1,012.29 | 124.22 | 122.04 | 16.99 | 8.48 | | | 2,786.79 | 3,017.72 |
| **Non-cash Expenditure** | 5.60 | 16.45 | 101.82 | 198.23 | 2,117.90 | 605.13 | – | | 14.09 | 39.87 | | | 2,239.41 | 859.68 |

(a) Segments have been identified and reported taking into account,the different risks and returns, the organization structure and the internal reporting systems. The main buisness segment are, (i) Copper which consist of mining of copper concentrate, manufacturing of copper cathode and continuous cast copper rod, (ii) Aluminium which consist of mining of bauxite and manufacturing of various aluminium products and (iii) Zinc which consists of mining of ore and manufacturing of zinc ingots and lead ingots (iv) Other business segment comprise of Phosphoric Acid and Paper.

(b) Segment Revenue, Results, Assets and Liabilities include the respective amounts identifiable to each of the segments and amount allocated on a reasonable basis. Unallocatd expenditure consist of common expenditure incurred for all the segments and expenses incurred at corporate level. The assets and liabilities that can not be allocated between the segments are shown as unallocated corporate assets and liabilities respectively.

(c) Intra Segment Sales and Inter Segment Sales includes inter divisional sales and sales among group companies

(d) During the year, segmental assets of Copper and Aluminium have been impaired to the extent of Rs. 870 Millions and Rs. 305 Millions respectively and accordingly segmental assets are net of such impairments.

II) Information about secondary segment

| **Geographical Segment** | **Current Year Rs. in Millions** | Previous Year Rs. in Millions |
|---|---|---|
| Revenue by geographical segment | | |
| India | 48470.61 | 40741.99 |
| Outside India | 14680.32 | 8149.28 |
| **Total** | 63150.93 | 48891.27 |
| Carrying Amount of Segment Assets | | |
| India | 90,617.68 | 60788.49 |
| Outside India | 5,593.18 | 6318.00 |
| **Total** | 96,210.86 | 67106.49 |
| Capital Expenditure | | |
| India | 15578.41 | 2309.82 |
| Outside India | 130.02 | 623.56 |
| **Total** | 15708.43 | 2933.38 |

32. **RELATED PARTY DISCLOSURES**
List of related parties and relationships

i) **Entites Controlling the Company (Holding Companies)**
Twinstar Holding Limited
Vedanta Resources Holdings Limited
Vedanta Resources plc.

ii) **Associates**
Monte Cello NV
Sterlite Optical Technologies Limited
Sterlite International Limited
Henry Davis York
India Foils Limited

iii) **Fellow Subsidiary**
The Madras Aluminum Company Limited

iv) **Key Managerial Personnel**
Shri Anil Agarwal
Shri Navin Agarwal
Shri Tarun Jain
Shri K. K. Kaura
Shri C V Krishnan (Till October 4, 2003)
Shri D D Jalan
Shri T.L. Palani Kumar

v) **Relatives of Key Management Personnel**

| | |
|---|---|
| Shri Dwarka Prasad Agarwal | Relative of Shri Anil Agarwal and Shri Navin Agarwal |
| Smt. Vijaya Krishnan | Relative of Shri CV Krishnan |
| Smt Rajni Jain | Relative of Shri Tarun Jain . |

vi) **Transaction during the year with related parties** **(Rs. in Millions)**

| | | Holding Companies | | Fellow Subsidiary | | Associates | | Key Managerial Personnel | | Relative of Key Management Personnel | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | **Current Year** | Previous Year | **Current Year** | Previous Year | **Current Year** | Previous Year | **Current Year** | Previous Year | **Current Year** | Previous Year | **Current Year** | Previous Year |
| 1 | Advances Recoverable in Cash or in Kind | | | | | | | | | | | | |
| | a Given/(received) during the period | **32.19** | – | **0.73** | – | **308.70** | 21.58 | – | (15.00) | **(1.17)** | 15.00 | **340.45** | 21.58 |
| | b Balance as at 31st March, 2004 | **32.19** | – | **0.09** | 0.19 | **73.88** | 21.18 | – | – | **15.00** | 16.17 | **121.16** | 37.54 |
| 2 | Share Application Money Received/(Refunded) | – | – | – | – | **(1,205.00)** | 1,205.00 | – | – | – | – | **(1205.00)** | 1205.00 |
| 3 | Investments | – | – | – | – | – | 51.57 | – | – | – | – | – | 51.57 |
| 4 | a) Creditors Balance as at 31st March, 2004 | **87.20** | – | **1.65** | 0.44 | **0.74** | – | – | – | – | – | **89.58** | 0.44 |
| | b) Loans Received Balance as at 31st March, 2004 | – | – | – | 2,500.00 | **3,502.32** | 3,182.74 | – | – | – | – | **3502.32** | 5682.74 |
| 5 | Receivables Balance as at 31st March, 2004 | – | – | **35.01** | 11.16 | **87.61** | – | – | – | – | – | **122.63** | 11.16 |
| 6 | Income | | | | | | | | | | | | |
| | a Sales | – | – | **2.81** | 0.28 | **589.86** | 19.44 | – | – | – | – | **592.67** | 19.72 |
| | b Rent | – | – | **1.75** | 1.31 | – | – | – | – | – | – | **1.75** | 1.31 |
| | c Interest | – | – | **70.01** | – | **0.79** | – | – | – | – | – | **70.80** | – |
| 7 | Expenditure | | | | | | | | | | | | |
| | a Purchased during the year | – | – | **696.20** | 309.06 | – | – | – | – | – | – | **696.20** | 309.06 |
| | b Remuneration/Sitting Fees | – | – | – | – | – | – | **68.18** | 54.10 | | 0.04 | **68.18** | 54.14 |
| | c Allocation of Corporate Expenses | – | – | **(18.04)** | (10.60) | **23.71** | – | – | – | – | – | **5.67** | (10.60) |
| | d Interest | – | – | **0.49** | 0.84 | – | – | – | – | – | – | **0.49** | 0.84 |
| | e Management Consultancy Services | **213.54** | 59.81 | – | – | – | – | – | – | – | – | **213.54** | 59.81 |
| | f Legal Advice Fee | – | – | – | – | **9.76** | 5.07 | – | – | – | – | **9.76** | 5.07 |
| | g Charity & Donations | – | – | – | – | – | 3.00 | – | – | – | – | **0.00** | 3.00 |
| | h Personal services | – | – | **6.36** | – | **18.30** | – | – | – | – | – | | |
| 8 | Guarantees | – | – | – | 200.00 | – | – | – | – | – | – | **0.00** | 200.00 |
| 9 | Option Seller Obligation Guarantee Facility | – | – | – | 2,500.00 | – | – | – | – | – | – | – | 2500.00 |

## 33. EARNING PER SHARE

| | | Rs. Millions Current Year | Rs. Millions Previous year |
|---|---|---|---|
| **Net profit after Tax** (As per Consolidated Profit & Loss Account) | | **4,643.63** | 2,147.79 |
| Less : Dividend on Preference Shares and Tax Thereon | | **(0.18)** | (5.00) |
| Less : Dividend to Minority Shareholders of Subsidiary & Tax Thereon | | **(295.07)** | (205.92) |
| Profit attributable to Equity Shareholders for Basic Earning per Share | | **4,348.38** | 1,936.87 |
| Earnings attributable to dilutive potential equity shares net of tax | | **27.20** | – |
| Profit attributable to Equity Shareholders and Potential equity share holders for diluted earning per share. | | **4,375.58** | 1,936.87 |
| Weighed average No. of equity shares outstanding during the year :- | | | |
| for Basic Earning per Share | Nos. | **71,765,287** | 88,032,747 |
| for Diluted Earning per Share | Nos. | **73,503,229** | 88,032,747 |
| Basic Earning per Share | Rs. | **60.59** | 22.00 |
| Diluted Earning per Share | Rs. | **59.53** | 22.00 |
| Nominal Value per Share | Rs. | **5/-** | 5/- |

**Reconciliation between number of shares used for calculating basic and diluted earning per share**

| | Current Year | Previous year |
|---|---|---|
| Weighted Average no. of shares used for calculating Basic earning per share | **71,765,287** | 88,032,747 |
| Add : Potential Equity Shares (Foreign Currency convertible bonds) | **1,737,942** | – |
| Weighted Average no. of shares used for calculating Diluted earning per share | **73,503,229** | 88,032,747 |

## 34. CONTINGENT LIABILITIES

| | | As at 31st March, 2004 (Rs. in Millions) | As at 31st March, 2003 (Rs. in Millions) |
|---|---|---|---|
| a) | Estimated amount of contracts remaining to be executed on Capital Account and not provided for (net of advances) | **41,572.61** | 4,892.05 |
| b) | Disputed liabilities in appeal: | | |
| | (i) Income Tax | – | 228.38 |
| | (ii) Sales Tax | **188.34** | 162.62 |
| | (iii) Excise Duty | **545.98** | 967.77 |
| | (iv) Research & Development Cess | – | 7.72 |
| c) | Claims against the Company not acknowledged as debts | **794.83** | 959.32 |
| d) | Unexpired Letters of Credit | **3,206.49** | 3,161.11 |
| e) | Bank Guarantees | **2,491.93** | 1,672.92 |
| f) | Bill Discounted | **242.81** | 1,167.50 |
| g) | Custom Duty Bond taken for Project Import | **819.20** | 819.20 |
| h) | Claim for compensation (CLZS) Land of HZL | **Not Ascertainable** | Not Ascertainable |
| i) | Liability, if any for writ petition filed in the Honourable Andhra Pradesh High Court by Pollution Sufferers Association demanding compensation for loss suffered due to alleged pollution by Smelter of HZL at Visakhapatnam (liability of Rs 27.4 Million for rehabilitation of villagers was created in an earlier year on estimates) | **Not Ascertainable** | Not Ascertainable |

j) An accident occurred on 13th December, 2002, which resulted in a fatal injury to an employee of the mining contractor, Brandrill Limited. A Coronial inquest has been completed and the findings identify a mining accident. Legal advice to date indicates that it is unlikely that any criminal proceedings will arise from this inquest.

The deceased's family has submitted a claim against Brandrill and TCM under the Personal Injuries Proceedings Act, 2002. TCM has forwarded all the relevant data and documents to the insurance company. The Mines Department has lodged a complaint (10 March, 2004) initiating prosecution of Thalanga Copper Mines under the relevant Safety and Health legislation.

k) During the year, SEBI has passed an order directing SOVL to pay interest @10% p.a. to 9 erstwhile NRI/OCB/FII shareholders of HZL for the delay in payment of consideration for shares of HZL acquired by SOVL through the open offer.

SOVL has preferred an appeal against the said order of SEBI as it contends that it is not liable to pay interest as the said delay was due to non-receipt of requisite approvals from Reserve Bank of India within the stipulated time. Further, SOVL contends that obtaining such approval for and on behalf of the NRI/OCB/FII shareholders is not covered under the statutory approvals to be taken by it and there was no wilful default or neglect by it. Accordingly, the management has not considered any provision in the accounts for interest aggregating to Rs. 4.4 Million.

l) SOVL has received a show cause notice from SEBI stating that the basis of acceptance of equity shares of HZL in the open offer was not as per the SEBI (Substantial Acquisition of Shares and Takeovers) Regulation, 1997. SOVL has represented to SEBI that the said basis of acceptance was on a fair equitable basis and proportional acceptance was as per the said Regulations.

m) A claim lodged by a contractor's employee against the Copper Mines of Tasmania Pty Ltd. for claim relating to a mining accident. The claim is not covered by insurance. CMT has disclaimed liability and is defending the action. Legal advice indicates that it is unlikely that any significant liability will arise. The contingent liability is of Rs. 4.96 Millions.

n) A claim lodged by a contractor's employee against CMT for claim relating to a mining accident. The claim is not covered by insurance. CMT has disclaimed liability and is defending the action. Legal advice indicates that it is unlikely that any significant liability will arise. The contingent liability is of Rs. 8.27 Millions.

o) A claim lodged by a contractor's employee against CMT for claim relating to a injury. CMT has disclaimed liability and is defending the action. The claim is covered by insurance. It is unlikely that any significant liability will arise.

p) A claim lodged by a contractor's employee against CMT for claim relating to a mining accident. The claim is not covered by insurance. CMT has disclaimed liability and is defending the action. Legal advice indicates that it is unlikely that any significant liability will arise.

q) The Company has given Corporate Guarantees to Banks/Financial Institutions on behalf of Madras Aluminium Company Limited and India Foils Limited. The outstanding amount is Rs. 2855 Millions (Previous year Rs.3345 Millions) on this account at year end.

32. The figures of previous year have been recast, rearranged and regrouped wherever considered necessary.

**As per our Report of even date**

For **CHATURVEDI & SHAH**
*Chartered Accountants*

**D. CHATURVEDI**
*Partner*

For **DAS & PRASAD**
*Chartered Accountants*

**B.N. AGARWALA**
*Partner*

Place : Mumbai
Dated : June 14, 2004

**For and on behalf of the Board**

**ANIL AGARWAL**
*Chairman & Managing Director*

**NAVIN AGARWAL**
*Whole Time Director*

**TARUN JAIN**
*Director (Finance)*

**RAMESH VENKAT**
*Chief Financial Officer*

**A.S. KHANDWALA**
*Company Secretary*

# CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2004

| | | | Year Ended 31st March, 2004 (Rs. in Millions) | | Year Ended 31st March, 2003 (Rs. in Millions) |
|---|---|---|---|---|---|
| **A.** | **Cash flow from Operating Activities** | | | | |
| | **Net profit after tax as per P&L Account** | **6,501.58** | | 3,037.54 | |
| | **Adjusted for** | | | | |
| | Provision for Taxation | **1,861.37** | | 1,454.72 | |
| | Share in Profit/(Loss) of Associate Company | – | | (0.04) | 4,492.22 |
| | | | **8,362.95** | | |
| | - Depreciation & Amortisation | **2,786.79** | | 3,017.72 | |
| | - Dividend Income | **(11.15)** | | (0.43) | |
| | - Interest Income | **(838.82)** | | (816.17) | |
| | - Interest & Borrowing Costs | **1,444.99** | | 1,805.84 | |
| | - Foreign Exchange (Profit)/Loss* | **9.51** | | (19.45) | |
| | - Provision for doubtful debts/advances | **(47.14)** | | 6.72 | |
| | - Loss/(Profit) on Sale of Investment (net) | **(39.80)** | | 16.45 | |
| | - Loss/(Profit) on Sale/Discarding of Assets (net) | **91.16** | | (34.30) | |
| | - Employees Stock Option outstanding written back/amortised | – | | (41.15) | |
| | - Deferred government grant transferred | **(0.06)** | | (0.06) | |
| | - Share of Company in (Profit)\Loss of Associates | – | | 0.04 | |
| | - VRS expenditure amortisation | **2,209.84** | | 599.97 | |
| | - Miscellaneous Expenses written off | **7.51** | | 9.54 | |
| | - Miscellaneous Expenses not written off | – | | (1,544.79) | |
| | - Bad debts and advances written off | **69.19** | | | |
| | | | **5,682.02** | | 2,999.93 |
| | Operating profit before working capital changes | | **14,044.97** | | 7,492.15 |
| | Adjusted for : | | | | |
| | - Trade and other receivables | **(6,448.91)** | | (908.48) | |
| | - Inventories | **(736.50)** | | 1,127.29 | |
| | - Trade payables | **2,224.71** | | 1,084.74 | |
| | | | **(4,960.70)** | | 1,303.55 |
| | Cash generation from operations | | **9,084.27** | | 8,795.70 |
| | Interest paid (net) | | **(1,802.03)** | | (1,615.17) |
| | Direct taxes paid/TDS deducted/Refund received | | **(2,420.87)** | | (1,064.30) |
| | **Net cash flow from Operating Activities** | | **4,861.37** | | 6,116.23 |
| **B.** | **Cash flow from Investing Activities** | | | | |
| | Purchase of Fixed Assets & Capital Work in Progress | **(15,054.63)** | | (2,157.33) | |
| | Sale of Fixed Assets | **134.49** | | 69.27 | |
| | Purchase of Investments | **(60,207.54)** | | (8,428.82) | |
| | Redemption of Performance bonds deposit with Bank of Western Australia Ltd. | – | | 0.33 | |
| | Sale of Investment | **45,766.49** | | 520.38 | |
| | Preliminary Expenses | – | | (0.16) | |
| | Capital Grant | **(7.17)** | | (15.57) | |
| | Interest Received | **912.68** | | 710.14 | |
| | Dividend Received on Investments | **11.15** | | 0.43 | |
| | **Net cash flow used in Investing Activities** | | **(28,444.53)** | | (9,301.33) |

| | | **Year Ended 31st March, 2004 (Rs. in Millions)** | | Year Ended 31st March, 2003 (Rs. in Millions) |
|---|---|---|---|---|
| **C. Cash flow from Financing Activities** | | | | |
| (Buy Back of)/Proceeds from issue of share capital including share premium | **31.30** | | (1,969.88)** | |
| (Redemption of)/Proceeds from issue of Preference Share Capital | **1,750.00** | | (200.00) | |
| Share Application Money Received | **(1,205.00)** | | 1,205.00 | |
| Proceeds from Long Term Loans (Net) | **26,287.10** | | 9,020.79 ** | |
| Repayment of Long Term Loans (Net) | **(7,849.74)** | | (2,466.32) | |
| Short Term Loans | **8,442.54** | | (1,019.44) | |
| Effect of Exchange Rate change on foreign currency EURO Convertible Bonds/FRNs | **61.21** | | (12.00) | |
| Dividend paid | **(463.68)** | | (393.28) | |
| **Net Cash flow from Financing Activities** | | **27,053.73** | | 4,164.87 |
| Net Increase/(decrease) in cash and cash equivalent | | **3,470.57** | | 979.77 |
| Cash and cash equivalent at the beginning of the year | | **6,869.16** | | 5,325.65 |
| Cash and cash equivalent acquired on acquisition of Hindustan Zinc Limited | | **–** | | 563.74 |
| Cash and cash equivalent at the end of the year | | **10,339.73** | | 6,869.16 |

* Includes exchange difference on account of translation of foreign subsidiary company's financial statements.

** Includes secured redeemable non-convertible debentures of Rs. 10 each aggregating to Rs. 1,008.24 Millions issued to each shareholder as part consideration for the shares purchased and cancelled in terms of the scheme of arrangement as approved by Honourable High Court of Judicataure at Mumbai.

**Notes :**

1) The above Cash Flow Statement has been prepared under the "Indirect Method" as set out in Accounting Standard-3 "Cash Flow Statement" issued by the Institute of Chartered Accountants of India.
2) Figures in the brackets indicate outflows.

**As per our Report of even date**

For **CHATURVEDI & SHAH**
*Chartered Accountants*

**D. CHATURVEDI**
*Partner*

For **DAS & PRASAD**
*Chartered Accountants*

**B.N.AGARWALA**
*Partner*

Place : Mumbai
Dated : June 14, 2004

**For and on behalf of the Board**

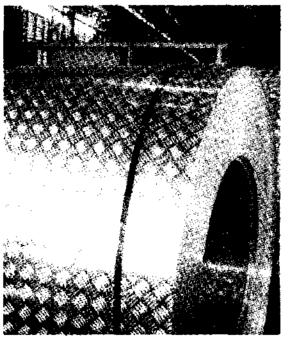
**ANIL AGARWAL**
*Chairman & Managing Director*

**NAVIN AGARWAL**
*Whole Time Director*

**TARUN JAIN**
*Director (Finance)*

**RAMESH VENKAT**
*Chief Financial Officer*

**A.S. KHANDWALA**
*Company Secretary*





# SUBSIDIARY COMPANIES ACCOUNTS

## REPORT OF THE DIRECTORS

To the Members
Bharat Aluminium Company Limited

The Directors have pleasure in presenting the Thirty-eighth Annual Report together with the Audited Accounts for the year ended 31st March, 2004:

**FINANCIAL PERFORMANCE AND APPROPRIATION**

| | For the Year Ended 31.03.2004 | 31.03.2003 |
|---|---|---|
| | Rs. in millions | |
| Gross Sales | **10063.96** | 9852.64 |
| Operating Profit **1402.33** | 1070.69 | |
| Voluntary retirement scheme | **683.53** | 100.98 |
| Profit before Tax | **718.80** | 969.71 |
| Provision for Taxes | **43.98** | 324.78 |
| Profit after Tax **674.82** | 644.93 | |
| Add: Profit brought forward | **91.52** | (658.41) |
| Profit available for appropriation | **766.34** | (13.48) |
| Appropriations: | | |
| Proposed Dividend | **110.31** | – |
| Tax on proposed Dividend | **14.13** | – |
| Transfer from Debenture | | |
| Redemption reserve | **–** | 105.00 |
| Balance carried forward to Balance Sheet | **641.90** | 91.52 |

**DIVIDEND**

Your Directors recommend a dividend of Re. 0.50 per equity share of Rs.10 each subject to approval of the same by the shareholders at the ensuing Annual General Meeting. The total outflow on account of dividend shall be Rs.124.44 million inclusive of tax on proposed dividend of Rs.14.13 million.

**OPERATIONAL PERFORMANCE**

During the year the Company achieved highest ever turnover of Rs. 10063.96 million. The production of saleable metal increased during the year to 97,088 MTs as against 95,490 MTs in the previous year. The Company achieved sales of 96,835 MTs during the year as compared to 99,575 MTs in the previous year.

The Operating profit increased by 31% to Rs.1402.33 million. Net profit was marginally higher at Rs. 674.82 million as compared to Rs. 644.93 million in the previous year. The net profit is after accounting for Rs. 683.53 million towards Voluntary Retirement Scheme as compared to Rs.100.98 million in the previous year.

The Company achieved highest ever Alumina production of 2,03,080 MT as against 1,86,268 MTs in the previous year. During the year, the Company exported 9,302 MTs of Alumina.

All-out efforts were made to focus on quality improvement, customer satisfaction and development of new products.

The Company has obtained certification under the QMS ISO 9001 (2000) and also has taken effective steps to obtain EMS ISO 14001 (1996) for environment and OHSAS 18001 (1999) for safety.

Effective steps have been taken to de-bottleneck capacity constraints and also to increase product range to enhance value added products.

**INDUSTRY OUTLOOK**

Aluminium consumption in India at less than 1 kg per person continues to be very low. Therefore, there is substantial scope for domestic demand to grow. There was a steep growth in demand of Aluminium at 20% in China and it being the net importer of Alumina to the extent of at least 50% of its requirement; there was a steep increase in prices of Alumina, which has started easing now.

During the year there was a reduction in import duty on Aluminium by 4.6% (abolishment of Special additional duty) and aluminium prices have improved marginally on account of increase in average LME approximately USD 140 over the previous year. Threats of lower duty due to free trade agreement with SAARC and other Asian Countries are looming large.

India has competitive advantage to produce low cost Aluminium because of vast availability of Bauxite reserves and coal resources for generation of power. With duty barriers rapidly coming down, Indian aluminium Industry has to be globally competitive.

**CURRENT YEAR REVIEW**

During the current year the Company targets to better its performance by increasing production of value added products by reducing cost and improving overall efficiency.

As per agreement entered into with National Thermal Power Corporation Limited (NTPC), the Company has to establish its independent water supply facility for its captive power plant. But due to unreasonable stand taken by NTPC in denying the Company of its easementary rights, the commissioning of such independent facilities have got delayed and the matter is sub-judice.

**EXPANSION**

As already mentioned in the last Annual Report, work on expansion of Aluminium capacity from 1 lakh TPA to 3.45 lakh TPA along with increase in captive power capacity from 270 MW to 810 MW is progressing as per schedule and is likely to come into effect during the financial year 2005-06.

**INTERNAL CONTROLS**

The Company has adequate system of internal controls to ensure that transactions are properly recorded, authorised and reported apart from safeguarding its assets. The internal control systems are supplemented by established policies and procedures and reviews carried out by the Company's internal audit function, which submits reports periodically to the Management and the Audit Committee of the Board.

The Audit Committee of the Board of Directors presently comprises of Mr. Hem Pande as its Chairman and Mr. T. L. Palani Kumar and Mr. Tarun Jain, members. The Audit Committee besides reviewing the internal audit, control and procedures, reviews the un-audited and audited accounts of the Company before submission to the Board for approval.

**HUMAN RESOURCES**

The Company has taken effective initiatives to provide trained manpower required to for realising the Company's strategic objectives. In this regard fresh graduates and young engineers, accounting and management professionals are inducted from time to time. In order to reward efficiency and encourage commitment, performance based incentive schemes, employees of the month scheme and quarterly reward programmes have been introduced for outstanding performance. Periodical training programmes have been conducted for the employees for capability building supported by transparency in the performance management system to build a foundation of a robust career and succession planning system. Cordial employee relations across the Company and improved people productivity have contributed to business success.

During the year 1,004 employees opted for voluntary retirement. The average age profile of the employees of the Company stands at 46 years.

**ENVIRONMENT & SAFETY**

Your Company has taken up various measures to control and monitor emissions from the plant for improvement of the external and internal environment. Steps taken for recycling of effluent and conservation of water has paid good results. Effluent discharge has been brought down from 6000 cum to 2500 cum in 2003-04 and the Company aims at zero discharge by 2006. On-line capacity meters have installed for on-line monitoring of SPM values in all the stacks. Two brick manufacturing plants have been promoted for fly-ash utilisation. The Company received the 4th National award for energy efficient unit by CII and National safety award for its captive power plant.

Good safety performance plays a significant role in an efficient and profitable business. The Company continues to pay priority to safety measures and improvements have been made in housekeeping, road conditions and safety measures in the plant and township. As mentioned earlier the Company is in the process of obtaining OHSAS 18001 and EMS ISO 14001 certifications. The adaptation of various monitoring measures, safety training and awareness has led to significant reduction in the total number of accidents in the plant this year.

**SOCIAL RESPONSIBILITY**

The Company places a major role in the socio-economic development in the Korba region of Chattisgarh State. The implementation of the expansion plan has given impetus to the growth of various business and service providers in the area besides creating scope of direct and indirect employment leading to an overall development of the region. The Company is actively involved in community development programmes involving provision of drinking water, education, health, sports and games infrastructure development etc. medical facilities, organising medical camps, immunisation programmes, adoption of villages where water, education, health, sports, games and electricity related facilities are provided. Besides the Company is also involved in promotion of various cultural and literary activities.

**DIRECTORS RESPONSIBILITY STATEMENT**

As required under Section 217 of the Companies Act, 1956, the Directors hereby confirm that :-

1. In the preparation of the Annual Accounts, applicable Accounting Standards have been followed along with proper explanation relating to material departures;
2. Selected accounting policies were applied consistently. Reasonable and prudent judgment and estimates were made to give true and fair view of the state of affairs of the Company as at 31st March, 2004 and of the profit/loss for the year ended on that date.
3. Proper and sufficient care has been taken in maintaining accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
4. The Annual Accounts of the Company have been prepared on a going concern basis.

**DIRECTORS**

Mr. Prashant Mehta was appointed as Government Nominee Director in place of Mr. S. P. Gupta w.e.f. 1st July 2003.

Mr. T. L. Palani Kumar was appointed as Managing Director of the Company in the place of Mr. C. V. Krishnan w.e.f. 26th July 2003.

Mr. S. S. Kothari and Mr. Shardul S. Shroff were withdrawn as Government Nominee Directors w.e.f. 10th October 2003.

Mr. Madhukar Gupta was appointed as Government Nominee Director in place of Mr. Prashant Mehta w.e.f. 5.11.2003 and has been withdrawn as Government Nominee w.e.f. 10.6.2004.

Your Directors wish to place on record their appreciation for the contribution made by Mr. S. P. Gupta, Mr. C. V. Krishnan, Mr. S. S. Kothari, Mr. Shardul S. Shroff, Mr. Prashant Mehta and Mr. Madhukar Gupta during their tenure on the Board of the Company.

Mr. Tarun Jain and Mr. D. K. Bandyopadhyay, Directors, retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

**GROUP**

The Company is controlled by the Agarwal Group being a Group as defined under the Monopolies and Restrictive Trade Practices Act 1969. A list of these entities is given below :

- Volcan Investments Limited, Bahamas
- Twinstar Holdings Limited, Mauritius
- Vedanta Resources Plc., United Kingdom
- Vedanta Resources Holdings Limited
- Mr. Dwarkaprasad Agarwal
- Mr. Agnivesh Agarwal

**AUDITORS' REPORT**

The observations made in the Auditors' Report are dealt with separately in the Notes to the Profit and Loss Account and the Balance Sheet. These are self-explanatory and do not call for any further comments.

**INFORMATION PURSUANT TO SECTION 217 OF THE COMPANIES ACT, 1956 :**

A. Conservation of energy, technology absorption, foreign exchange earnings and outgo:
Information as required under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (disclosure of particulars in the Report of the Board of Directors) Rules, 1988 viz. a report on conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo, is given in the Annexure attached hereto and form part of this report.

B. Particulars of Employees :
No employees of the category mentioned in the Companies (Particulars of Employees) Rules, 1975 are employed in the Company.

**ACKNOWLEDGEMENT**

Your Directors gratefully acknowledge the co-operation and assistance received from the Central and State Governments and various departments, financial institutions, banks, customers and suppliers. Your Directors also place on record their deep appreciation of the dedicated services rendered by all the staff and workforce and their representative Unions of the Company, without whose wholehearted efforts, the overall satisfactory performance would not have been possible.

*For and on behalf of the Board of Directors*

Place : New Delhi
Date : June 10, 2004

**T.L. Palani Kumar** *Managing Director*
**Tarun Jain** *Director*

## ANNEXURE TO DIRECTORS' REPORT

A. CONSERVATION OF ENERGY :

(a) **Energy conservation measures taken:**
Ensuring proper operation of furnaces and maintaining appropriate furnace oil temperature.
Plugging of leakages in the air duct in the boiler feed area.
Use of dewatering aid during hydrate filtration.

(b) **Additional investments and proposals, if any being implemented for reduction of energy consumption :**
NIL

(c) **Impact of the measures at (a) and (b) above for reduction of energy consumption** :
1. Reduction in fuel oil consumption in Foundry furnaces.
2. Reduction in coal and fuel oil consumption in HP boilers
3. Reduction in fuel oil consumption in Calcination kiln.

**Total energy consumption and energy consumption per unit of production :**

**FORM A**

| | | | 2003-04 | 2002-03 |
|---|---|---|---|---|
| **A)** | **Power and Fuel Consumption** | | | |
| 1 | Electricity | | | |
| | a) Purchase from CSEB (Units) M.Kwh. | | **87.93** | 129.67 |
| | Total Amount (Rs. Million) | | **560.78** | 697.83 |
| | Average Rate (Per Unit) Rs. | | **6.38** | 5.38 |
| | Exported to CSEB Unit (M. Kwh.) | | **50.97** | 44.05 |
| | Total Amount (Rs. Million) | | **38.79** | 32.73 |
| | Average Rate (Per Unit) Rs. | | **0.76** | 0.74 |
| | b) Own Generation Units (M.Kwh.) | | **1,911.31** | 1,810.38 |
| | Total Amount (Rs. Million) | | **1,953.18** | 1,849.87 |
| | Average Rate (Per Unit) Rs. | | **1.02** | 1.02 |
| 2 | **Coal (Grade Fused in Boiler House)** | | | |
| | Quantity (Tons) | | **19,63,149** | 18,28,365 |
| | Total Amount (Rs. Million) | | **1,178.89** | 1,117.91 |
| | Average Rate (Per Ton) Rs. | | **600.51** | 611.43 |
| 3 | **Furnace Oil** | | | |
| | Quantity (KL) | | **28,268** | 28,894 |
| | Total Amount (Rs. Million) | | **318.83** | 293.15 |
| | Rate/KL (Rs.) | | **11,279** | 10,146 |
| **B)** | **Consumption per unit of production (Per MT)** | Unit | | |
| | Hot Metal | | | |
| | (i) Electricity | Kwh. | **17,717.60** | 17,677.05 |
| | (v) Coal for steam | kgs | **53.21** | 42.35 |

B. TECHNOLOGY ABSORPTION

**FORM B**

**Research and development (R&D)**

1. **Specific areas in which R&D carried out by the Company :**
(i) Development of new Alloys
(ii) Process optimization
(iii) Failure analysis of machinery components
(iv) Optimization of ECA coal granulometry and pitch content of cathode ramming paste.
(v) Optimization of operating parameters.

2. **Benefits derived as result of the above R & D :**
(i) Better Sales realization
(ii) Prevention of pre-mature failure of components resulting in savings
(iii) Improvement in Pot Life
(iv) Improvement in quality of Hydrate.

3. **Future plan of action :**
1. Development of high strength alloys.
2. Improvement of metal hygiene.
3. Improvement in cryolite recovery by floatation process.
4. Use of Crystal Growth Modifier for coarsening of Product hydrate during precipitation.
5. Use of humate removing chemicals for enhancing purity of plant liquor.

4. **Expenditure on R &D :**
a) Capital (Rs. million) Nil (Previous year – Nil)
b) Recurring (Rs. million) 10.86 (Previous year 9.08)
c) Total (Rs. million) 10.86 (Previous year 9.08)
d) Total R&D expenditure as a Percentage of total turnover 0.12% (Previous year 0.1%)

**Technology absorption, adaptation and innovation**

(i) **Efforts in brief, made towards technology absorption, adaptation and innovation :**
Technology imported has been fully absorbed.

(ii) **Benefits derived as a result of the above efforts, e.g. product improvement, cost reduction, product development, import substitution, etc.:**
Product improvement, increase in production efficiency, enhancement of metal purity.

(iii) **In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year)**
No technology was imported during the last 5 years.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO :

1. **Activities relating to exports; initiatives taken to increase exports; development of new export markets for products and services and export plans :**
The Company has taken initiatives for export of alumina during the year.

2. **Total foreign exchange used and earned :**
Total foreign exchange earnings for the year : Rs. 87.86 million
Total foreign exchange outflow for the year : Rs. 481.73 million

## AUDITORS' REPORT TO THE SHAREHOLDERS OF BHARAT ALUMINIUM COMPANY LIMITED

1. We have audited the attached balance sheet of **Bharat Aluminium Company Limited** (the company) as at March 31, 2004, the Profit and Loss Account and Cash Flow Statement of the Company for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order, to the extent applicable and based on such checks we considered appropriate.
4. Further to our comments in the annexure referred to above, we report that :
   a. we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit;
   b. in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
   c. the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
   d. in our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
   e. on the basis of written representations received from the Directors, as on March 31, 2004, and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on March 31, 2004 from being appointed as a Director in terms of Section 274(1)(g) of the Companies Act, 1956;
   f. in our opinion and to the best of our information and according to the explanations given to us, the said accounts read with notes give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India :
      (i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2004;
      (ii) in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date; and
      (iii) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

For Deloitte Haskins & Sells
*Chartered Accountants*

**R. Raghavan**
*Partner*
*Membership No. 9483*

Place : Mumbai
Date : June 10, 2004

## AS REQUIRED BY THE ANNEXURE TO THE AUDITORS' REPORT COMPANIES (AUDITORS' REPORT) ORDER, 2003

In our opinion and according to the information and explanation given to us, the nature of the Company's business/activities during the year are such that clauses (i)(c), (iii), (v), (vi) (x), (xi), (xii), (xiii), (xiv), (xv), (xviii), (xix), (xx) of Companies (Auditor's report ) Order, 2003 are not applicable to the company.

(A) In respect of its fixed assets :
   i. The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
   ii. The Company has a phased programme of physical verification of its fixed assets which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. In accordance with such programme, the management has physically verified the fixed assets and no material discrepancies were noticed on such verification.

(B) In respect of its inventories :
   i. As explained to us, inventories were physically verified during the year by the management at reasonable intervals.
   ii. In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
   iii. In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories and no material discrepancies were noticed on physical verification.

(C) In our opinion, and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for purchase of inventory and fixed assets and for the sale of goods.

(D) In our opinion, the internal audit system is commensurate with the size of the Company and the nature of its business.

(E) We have broadly reviewed the books of account and records maintained by the Company relating to the manufacture of Aluminium ingots in any form, wire rods and rolled products, pursuant to the order made by the Central Government for the maintenance of cost records under Section 209(1) (d) of the Companies Act, 1956, and are of the opinion that prima facie the prescribed accounts and records have been made and maintained. We have, however, not made a detailed examination of the records with a view to determining whether they are accurate or complete.

(F) According to the information and explanations given to us, and on the basis of our examination of the books of account :
   i. The Company has been regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Income-Tax, Sales-Tax, Customs Duty, Investor Education and Protection Fund, Wealth Tax and any other material statutory dues applicable to it.
   ii. No undisputed dues payable in respect of Income-Tax, Sales Tax, Wealth Tax, Customs Duty and cess were outstanding as at March 31, 2004 for a period of more than six months from the date they became payable.
   iii. Disputed Income Tax, Entry Tax, Cess Dues, and Sales Tax aggregating to Rs. 166.13 million, Rs. 7.61 million, Rs. 17.18 million, and Rs. 9.18 million respectively, have not been deposited since the matters are pending with the relevant forum as per Annexure 'A'.

(H) To the best of our knowledge and belief and according to the information and explanations given to us, term loans availed by the Company were, prima facie, applied by the Company during the year for the purposes for which the loans were obtained, other than temporary deployment pending application.

(I) According to the cash flow statement and other records examined and the information and explanations given to us, on an overall basis, funds raised on short term basis have, prima facie, not been used during the year for long term investment (fixed assets, etc.) and vice versa, other than temporary deployment pending application.

(J) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the year.

For **Deloitte Haskins & Sells**
*Chartered Accountants*

**R. Raghavan**
*Partner*
*Membership No. 9483*

Place : Mumbai
Date : June 10, 2004

## Annexure 'A'
## Statement of unpaid disputed statutory dues for year ended March 31, 2004

### Income Tax Act 1961

| | | Assessment Year | Nature of dues | Amount (Rupees in million) | Forum pending at |
|---|---|---|---|---|---|
| **1** | **Pending Company's appeals:** | | | | |
| | a | 2001-02 | Disallowance of expenditure by assessing officer. | 40.60 | CIT (Appeals ) New Delhi |
| **2** | **Pending Income Tax department's appeals** | | | | |
| | a | 1985-86 | Appeal filed by assessing officer against the order for allowing the expenses earlier disallowed by the assessing officer. | 3.50 | Income Tax Appellate Tribunal, Delhi |
| | b | 1986-87 | Appeal filed by assessing officer against the order for allowing the expenses earlier disallowed by the assessing officer. | 11.48 | Income Tax Appellate Tribunal, Delhi |
| | c | 1991-92 | Appeal filed by assessing officer against the order for allowing the expenses earlier disallowed by the assessing officer. | 92.32 | Income Tax Appellate Tribunal, Delhi |
| **3** | **Pending Tax deducted at source dues** | | | | |
| | a | 2002-04 | Tax deducted on perquisites of employees withheld by the court order for deposit. | 9.26 | High Court of Chhattisgarh at Bilaspur |
| | b | 2004-05 | Tax deducted on perquisites of employees withheld by the court order for deposit. | 8.97 | High Court of Chhattisgarh at Bilaspur |
| | | **Total** | | **166.13** | |

### Entry Tax claims by authorities

| | Financial Year | Nature of dues | Amount (Rupees in million) | Forum pending at |
|---|---|---|---|---|
| 1 | 1980-81 | Classification Dispute & Difference in view on the Basis of Valuation | 0.64 | Board of Revenue |
| 2 | 1983-84 | Classification Dispute & Difference in view on the Basis of Valuation | 1.27 | Assessing authority–ACCT |
| 3 | 1987-88 | Classification Dispute & Difference in view on the Basis of Valuation | 0.74 | Appellate Dy CCT |
| 4 | 1997-98 | Classification Dispute & Difference in view on the Basis of Valuation | 1.58 | Assessing authority–ACCT |
| 5 | 2000-01 | Classification Dispute & Difference in view on the Basis of Valuation | 1.11 | Assessing authority–ACCT |
| 6 | 2001-02 | Classification Dispute & Difference in view on the Basis of Valuation | 1.95 | Assessing authority–ACCT |
| 7 | 2002-03 | Classification Dispute & Difference in view on the Basis of Valuation | 0.32 | Assessing authority–ACCT |
| | **Total** | | **7.61** | |

### Cess on Bauxite mined

| | | | | |
|---|---|---|---|---|
| 1 | 1997-98 | Chhatisgarh Government claim towards mines area development cess for bauxite. | 17.18 | Chhatisgarh Government |
| | **Total** | | **17.18** | |

### Sales Tax claims

### Central Sales Tax Claims

| | | | | |
|---|---|---|---|---|
| 1 | 1979-80 | Dispute for admissibility for circumstantial evidences in lieu of "F" forms. Classification & Valuation disputes. | 0.37 | Assessing authority–ACCT |
| 2 | 1980-81 | Dispute for admissibility for circumstantial evidences in lieu of "F" forms. Classification & Valuation disputes. | 0.19 | Assessing authority–ACCT |
| 3 | 1992-93 | Dispute for admissibility for circumstantial evidences in lieu of "F" forms. Classification & Valuation disputes. | 0.31 | Board of Revenue |

### Local Sales Tax Claims

| | | | | |
|---|---|---|---|---|
| 1 | 1983-84 | Insufficient opportunity to produce forms, Classification & Valuation disputes | 0.18 | Assessing authority–ACCT |
| 2 | 1987-88 | Insufficient opportunity to produce forms, Classification & Valuation disputes | 4.87 | Assessing authority–ACCT |
| 3 | 1993-94 | Insufficient opportunity to produce forms, Classification & Valuation disputes | 0.76 | ACCT/Board Of Revenue |
| 4 | 1995-96 | Insufficient opportunity to produce forms, Classification & Valuation disputes | 0.65 | Assessing authority–ACCT |

### Central/Local Sales tax Claims

| | | | | |
|---|---|---|---|---|
| 1 | 1997-98 | Dispute for admissibility for circumstantial evidences in lieu of "F" forms. Insufficient opportunity to produce forms, Classification & Valuation disputes | 1.39 | Assessing authority–ACCT |
| 2 | 2002-03 | Dispute for admissibility for circumstantial evidences in lieu of "F" forms. Insufficient opportunity to produce forms, Classification & Valuation disputes | 0.46 | Assessing authority–ACCT |
| | **Total** | | **9.18** | |

## BALANCE SHEET AS AT 31ST MARCH, 2003

Rs in Millions

| | Schedule | 2004 | | 2003 | |
|---|---|---|---|---|---|
| **SOURCES OF FUNDS** | | | | | |
| **Shareholders' Funds** | | | | | |
| Capital | 1 | **2,206.25** | | 2,206.25 | |
| Reserves and Surplus | 2 | **4,869.59** | | 4,319.27 | |
| | | | **7,075.84** | | 6,525.52 |
| **Loan Funds** | | | | | |
| Secured Loans | 3 | **9,900.11** | | 639.14 | |
| Unsecured Loans | 4 | **1,239.71** | | 128.68 | |
| | | | **11,139.82** | | 767.82 |
| **Deferred tax liability (net)** | 5 | | **560.46** | | 507.80 |
| TOTAL | | | **18,776.12** | | 7,801.14 |
| **APPLICATIONS OF FUNDS** | | | | | |
| **Fixed Assets** | 6 | | | | |
| Gross Block | | **13,141.98** | | 11,725.60 | |
| Less : Depreciation | | **7,924.31** | | 7,456.62 | |
| Net Block | | **5,217.67** | | 4,268.98 | |
| Add : Capital Work-in-progress | | **6,221.33** | **11,439.00** | 282.17 | 4551.15 |
| **Investments** | 7 | | **4450.00** | | 60 |
| **Current Assets, Loans & Advances** | | | | | |
| Inventories | 8 | **1,081.87** | | 1,016.83 | |
| Sundry Debtors | 9 | **312.64** | | 170.81 | |
| Cash & Bank Balances | 10 | **4,337.89** | | 3,545.56 | |
| Other Current Assets | 11 | **54.28** | | 99.56 | |
| Loans and Advances | 12 | **791.68** | | 694.75 | |
| | | **6,578.36** | | 5,527.51 | |
| **Less : Current Liabilities & Provisions** | | | | | |
| Liabilities | 13 | **3,726.94** | | 2,,542.30 | |
| Provisions | 14 | **267.25** | | 199.15 | |
| | | **3,994.19** | | 2,741.45 | |
| **Net Current Assets** | | | **2,584.17** | | 2,786.06 |
| **Miscellaneous Expenditure (to the extent not written off or adjusted)** | 15 | | **302.95** | | 403.93 |
| TOTAL | | | **18776.12** | | 7801.14 |
| **Notes** | 23 | | | | |

As per our report of even date

For **Deloitte Haskins & Sells**
Chartered Accountants

**R. RAGHAVAN**
*Partner*
*Membership No. 9483*

For and on behalf of
the Board of Directors

**T. L. PALANIKUMAR**
*Managing Director*

**TARUN JAIN**
*Director*

**RAVI RAJAGOPAL**
*Company Secretary & Head-Legal*

Place : Mumbai
Dated : June 10, 2004

## PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2004

Rs in Millions

| | Schedule | 2004 | | 2003 | |
|---|---|---|---|---|---|
| **INCOME** | | | | | |
| Sales | | **10,063.96** | | 9,852.64 | |
| Less : Excise | | **1,408.25** | **8,655.71** | 1,321.54 | 8,531.10 |
| Other Income | 16 | | **544.42** | | 450.63 |
| | | | **9,200.13** | | 8,981.73 |
| **EXPENDITURE** | | | | | |
| Manufacturing and other expenses | 17 | **5,253.99** | | 5,551.95 | |
| Employees' remuneration and benefits | 18 | **1,490.36** | | 1,522.62 | |
| Selling & Distribution | 19 | **67.67** | | 52.27 | |
| Administrative and General | 20 | **428.85** | | 364.93 | |
| Interest and Finance charges | 21 | **85.01** | | 62.16 | |
| Depreciation | | **471.92** | | 357.11 | |
| | | | **7,797.80** | | 7,911.04 |
| **OPERATING PROFIT BEFORE EXCEPTIONAL ITEMS AND TAX** | | | **1,402.33** | | 1,070.69 |
| EXCEPTIONAL ITEMS | | | | | |
| Voluntary Retirement Scheme | | | **683.53** | | 100.98 |
| **PROFIT BEFORE TAX** | | | **718.80** | | 969.71 |
| Taxation | 22 | | **43.98** | | 324.78 |
| **PROFIT AFTER TAXATION** | | | **674.82** | | 644.93 |
| Balance being surplus / (deficit) brought forward | | | **91.52** | | (658.11) |
| | | | **766.34** | | (13.48) |
| **APPROPRIATIONS** | | | | | |
| Proposed Dividend Final | | | **110.31** | | – |
| Rs. 0.50 per share (2003: Rs. Nil) | | | | | |
| Tax on Proposed Dividend | | | **14.13** | | – |
| Transfer from debenturere demption reserve | | | – | | 105.00 |
| Balance carried to balance sheet | | | **641.90** | | 91.52 |
| **Notes** | 23 | | | | |
| Basic and diluted earnings per share - before exceptional items (Rupees) | | | **6.16** | | 3.38 |
| Basic and diluted earnings per share - after exceptional items (Rupees) | | | **3.06** | | 2.92 |

As per our report of even date

For **Deloitte Haskins & Sells**
Chartered Accountants

**R. RAGHAVAN**
*Partner*
*Membership No. 9483*

For and on behalf of
the Board of Directors

**T. L. PALANIKUMAR**
*Managing Director*

**TARUN JAIN**
*Director*

**RAVI RAJAGOPAL**
*Company Secretary & Head-Legal*

Place : Mumbai
Dated : June 10, 2004

## SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNT FOR THE YEAR ENDED MARCH 31, 2004

Rs. in Millions

| | | 2004 | | 2003 |
|---|---|---|---|---|
| **1. CAPITAL** | | | | |
| **Authorised** | | | | |
| 50,00,00,000 (2003:500,000,000) Equity Shares of Rs.10 each | | **5,000.00** | | 5,000.00 |
| **Issued, Subscribed and Paid-up** | | | | |
| 220,624,500 (2003:220,624,500) Equity Shares of Rs.10 each, fully paid (Of the above,112,518,495 Equity Shares are held by the holding Company, Sterlite Industries (India) Limited and their nominees. Ultimate holding Company Vedanta Resources Plc., United Kingdom does not hold any equity shares in the Company) | | **2,206.25** | | 2,206.25 |
| | | **2206.25** | | 2206.25 |
| **2. RESERVES AND SURPLUS** | | | | |
| Capital Reserve | | | | |
| -Balance as per last balance sheet | | **92.03** | | 92.03 |
| General reserve | | | | |
| Balance as per last balance sheet | | **4132.90** | | 4132.90 |
| Deferred government grants | | | | |
| Balance as per last balance sheet | **2.82** | | 2.88 | |
| Less : transfer to profit and loss account | **0.06** | **2.76** | 0.06 | 2.82 |
| | | **4227.69** | | 4227.75 |
| Profit and loss account - surplus | | **641.90** | | 91.52 |
| | | **4869.59** | | 4319.27 |
| **3. SECURED LOANS** | | | | |
| Term Loans - Scheduled Banks/ Financial Institutions | | **8,706.25** | | – |
| Rupee term facility from various banks secured by first exclusive charge on movable properties, present and future, tangible or intangible, and assets other than current assets and charge on immovable properties repayable in twelve quarterly instalments commencing January 2007. (Payable within one year Rs. Nil) | | | | |

Rs. in Millions

| | 2004 | 2003 |
|---|---|---|
| **SECURED LOANS (Contd.)** | | |
| Working capital term loan - consortium of banks | **600.00** | – |
| Secured by hypothecation of stock of raw materials, work-in-progress, semi-finished, finished products, consumable stores and spares, bills receivables, book debts and all other movables, both present and future. The charges rank pari passu among banks under the multiple banking arrangements, both for fund based as well as non-fund based facilities. (Payable within one year Rs. 600) | | |
| Foreign currency term loan from bank {Secured against pledge of fixed deposits amounting Rs 688.91 (2003: Rs 688.05)} ( Payable within one year Rs 593.86; 2003: Rs.639.14) | **593.86** | 639.14 |
| | **9900.11** | 639.14 |
| **4. UNSECURED LOANS** | | |
| **Short term** | | |
| Debentures: | | |
| 10,000,000 7.25% Non-convertible, privately placed debentures of Rs 100 each redeemable at par on 27th July, 2004 (Payable within one year Rs 1000) | **1000.00** | – |
| Banks (Payable within one year Rs. 239.71; 2003: Rs.85.76) | **239.71** | 85.76 |
| Other Loans - Government of India | – | 42.92 |
| | **1239.71** | 128.68 |
| **5. DEFERRED TAX (net)** | | |
| Liability | **918.61** | 758.02 |
| Asset | **358.15** | 250.22 |
| | **560.46** | 507.80 |

**6. FIXED ASSETS**

Rs. in Millions

| | Cost | | | | Depreciation | | | | Net | |
|---|---|---|---|---|---|---|---|---|---|---|
| | As at 1.4.2003 | Additions | Deductions/ Adjustments | **As at 31.03.04** | As at 1.4.2003 | For the Period | Deductions/ Adjustments | **31.03.04** | **As at 31.03.04** | As at 31.03.03 |
| Land and Land Development | | | | | | | | | | |
| – Free hold | 20.33 | 27.44 | – | **47.77** | – | – | – | – | **47.77** | 20.33 |
| – Lease-hold | 278.67 | – | – | **278.67** | 130.04 | 24.77 | – | **154.81** | **123.86** | 148.63 |
| Buildings | 899.77 | 199.63 | 1.94 | **1097.46** | 819.31 | 24.92 | 0.95 | **843.28** | **254.18** | 364.95 |
| Railway Siding | 14.87 | – | – | **14.87** | 11.96 | 0.08 | – | **12.04** | **2.83** | 2.90 |
| Plant & Machinery | 10420.32 | 1188.91 | 2.67 | **11606.56** | 6427.02 | 416.96 | 2.34 | **6841.64** | **4764.92** | 3708.82 |
| Furniture & fittings | 40.29 | 3.08 | 0.44 | **42.93** | 37.08 | 1.49 | 0.22 | **38.35** | **4.59** | 3.22 |
| Vehicle | 36.43 | 4.07 | 1.70 | **38.80** | 19.39 | 2.46 | 0.72 | **21.13** | **17.66** | 17.03 |
| Mine Development | 14.92 | – | – | **14.92** | 11.82 | 1.24 | – | **13.06** | **1.86** | 3.10 |
| **Total** | **11725.60** | **1423.13** | **6.75** | **13141.98** | **7456.62** | **471.92** | **4.23** | **7924.31** | **5217.67** | **4268.98** |
| Previous Year | 9902.34 | 1848.22 | 24.96 | 11725.60 | 7117.62 | 357.11 | 18.11 | 7456.62 | 4268.98 | 2784.72 |

## SCHEDULES TO ACCOUNTS (Contd.)

(Rs in Millions)

| | Face value of each | Number of Units Opening 01.04.03 | Purchase | Sales | Holding as at 31.03.03 | 2004 | 2003 |
|---|---|---|---|---|---|---|---|
| **7. INVESTMENTS - Current** | | | | | | | |
| Non trade and unquoted in mutual funds | | | | | | | |
| **SBI Mutual Fund** | | | | | | | |
| Magnum Insta Cash Fund - Cash plan | Rs.10 | 737,779 | 121,008,708 | 121,746,487 | - | - | 10.00 |
| Magnum Insta Cash Fund - Short term plan | Rs.10 | - | 71,834,250 | 71,834,250 | - | - | - |
| Magnum Insta Cash Fund - Short term plan - Dividend plan | Rs.10 | - | 9,890,286 | 9,890,286 | - | - | - |
| Magnum Insta Cash Fund - Dividend plan | Rs.10 | - | 12,610,658 | 12,610,658 | - | - | - |
| Magnum Institutional Income Fund - Dividend plan | Rs.10 | - | 5,753,684 | 5,753,684 | - | - | - |
| Magnum Institutional Income Fund - Saving plan | Rs.10 | - | 86,886,575 | - | 86,886,575 | **870.00** | - |
| Magnum Insta Cash Fund - Weekly dividend plan | Rs.10 | - | 55,041,518 | - | 55,041,518 | **580.00** | - |
| **Prudential ICICI** | | | | | | | |
| Liquid Plan | Rs.10 | 672,527 | 6,346,494 | 7,019,021 | - | - | 10.00 |
| Short Term Plan - Growth | Rs.10 | - | 22,155,892 | 22,155,892 | - | - | - |
| Liquid Instituional Growth | Rs.10 | - | 252,409,006 | 252,409,006 | - | - | - |
| Liquid Institutional Daily Dividend Plan | Rs.10 | - | 16,230,045 | 16,230,045 | - | - | - |
| Institutional Liquid Plan Plus - Daily dividend option | Rs.10 | - | 276,159,354 | 149,578,615 | 126,580,739 | **1,500.00** | - |
| Institutional Liquid Plan Plus - Weekly dividend option | Rs.10 | - | 84,940,639 | 84,940,639 | - | - | - |
| Liquid Institutional Plus Growth | Rs.10 | - | 216,253,124 | 216,253,124 | - | - | - |
| Liquid Institutional Liquid Plan - Daily dividend option | Rs.10 | - | 9,974,007 | 9,974,007 | - | - | - |
| **HDFC Mutual Fund** | | | | | | | |
| Liquid Fund Growth | Rs.10 | 1,664,697 | 10,314,682 | 11,979,379 | - | - | 20.00 |
| Liquid Fund Premium Plan Growth | Rs.10 | 1,662,635 | 60,509,931 | 62,172,566 | - | - | 20.00 |
| Short Term Plan Growth | Rs.10 | - | 6,986,894 | 6,986,894 | - | - | - |
| High Interest Fund - Short term plan - Growth option | Rs.10 | - | 7,036,691 | 7,036,691 | - | - | - |
| Income Fund - Premium plan | Rs.10 | - | 12,682,308 | 12,682,308 | - | - | - |
| Cash Management Fund - Saving plan - Growth option | Rs.10 | - | 5,843,016 | 5,843,016 | - | - | - |
| Cash Management Fund - Saving Plan - Dividend reinvestment | Rs.10 | - | 91,631,655 | 91,631,655 | - | - | - |
| Liquid Fund Premium Plus Plan - Dividend reinvestment | Rs.10 | - | 62,551,083 | - | 62,551,083 | **750.00** | - |
| Cash Management Fund - Saving Plan - Dividend reinvestment | Rs.10 | - | 70,520,535 | - | 70,520,535 | **750.00** | - |
| Liquid Fund - Premium plus growth plan | Rs.10 | - | 56,385,066 | 56,385,066 | - | - | - |
| **LIC Mutual Fund** | | | | | | | |
| Liquid Fund Dividend Plan Reinvested | Rs.10 | - | 3,262,040 | 3,262,040 | - | - | - |
| Liquid Fund | Rs 10 | - | 10,650,341 | 10,650,341 | - | - | - |
| | | | | | | **4450.00** | 60.00 |
| Aggregate of unqouted investments - at book value | | | | | | **4450** | 60.00 |



Rs. in Millions

| | | 2004 | | 2003 |
|---|---|---|---|---|
| **8. INVENTORIES** | | | | |
| Stores and Spare Parts | | **488.60** | | 499.01 |
| Raw Materials | | **132.39** | | 102.92 |
| Finished Goods | | **58.23** | | 59.75 |
| Work-in-progress | | **398.70** | | 352.21 |
| By-products | | **3.95** | | 2.94 |
| | | **1,081.87** | | 1,016.83 |
| **9. SUNDRY DEBTORS - unsecured** | | | | |
| Due for more than six months | | | | |
| Considered - good | **11.13** | | 10.33 | |
| - doubtful | **4.46** | | 4.46 | |
| Others considered good | **301.51** | | 160.48 | |
| | **317.10** | | 175.27 | |
| Less : provision for doubtful debts | **4.46** | **312.64** | 4.46 | 170.81 |
| | | **312.64** | | 170.81 |
| **10. CASH BANK BALANCES** | | | | |
| Cash/cheques in hand | | **0.60** | | 0.68 |
| Balance with scheduled banks in : | | | | |
| Current account | **27.30** | | 44.37 | |
| Short term deposits | **4309.99** | **4337.29** | 3500.51 | 3544.88 |
| | | **4337.89** | | 3545.56 |
| **11. OTHER CURRENT ASSETS** | | | | |
| Interest accrued on deposits | | **54.28** | | 99.56 |
| | | **54.28** | | 99.56 |

Rs in Millions

| | | 2004 | | 2003 |
|---|---|---|---|---|
| **12. LOANS ADVANCES** | | | | |
| (Unsecured, considered good unless otherwise stated) | | | | |
| Advances recoverable in cash or in kind or for value to be received | | | | |
| Considered - good | **538.95** | | 449.38 | |
| - doubtful | **49.76** | | 49.76 | |
| | **588.71** | | 499.14 | |
| Less : Provision for doubful advances | **(49.76)** | **538.95** | (49.76) | 449.38 |
| Security deposits | | **166.55** | | 128.03 |
| Balances with central excise authorities etc. | | | | |
| Considered - good | **86.18** | | 117.34 | |
| - doubtful | **6.87** | | 6.87 | |
| | **93.05** | | 124.21 | |
| Less : Provision for doubful balances | **(6.87)** | **86.18** | (6.87) | 117.34 |
| | | **791.68** | | 694.75 |
| **13. LIABILITIES** | | | | |
| Sundry creditors - small scale industrial units | | – | | – |
| - others | | **1995.71** | | 890.48 |
| Security and other deposits | | **79.03** | | 71.29 |
| Other liabilities | | **1641.61** | | 1579.43 |
| Interest accrued but not due | | **10.59** | | 1.10 |
| | | **3726.94** | | 2542.30 |
| **14. PROVISIONS** | | | | |
| Taxation (net) | | **142.81** | | 199.15 |
| Proposed Dividends | | **110.31** | | – |
| Tax on Proposed Dividend | | **14.13** | | – |
| | | **267.25** | | 199.15 |

## SCHEDULES TO ACCOUNTS (Contd.)

Rs. in Millions

| | | 2004 | | 2003 |
|---|---|---|---|---|
| **15. MISCELLANEOUS EXPENDITURE (TO THE EXTENT NOT WRITTEN OFF OR ADJUSTED)** | | | | |
| Voluntary Retirement expenditure | | 403.93 | | 504.91 |
| less: amortised | | 100.98 | | 100.98 |
| | | 302.95 | | 403.93 |
| **16. OTHER INCOME** | | | | |
| Rent | | 9.16 | | 7.07 |
| Wheeled power | | 51.67 | | 32.73 |
| Profit on Sale of Fixed Asset (net) | | 18.93 | | 12.76 |
| Profit on sale of Investment-Current | | 1.76 | | 0.90 |
| Transfer from Deferred Government Grant | | 0.06 | | 0.06 |
| Provision for expenses no longer required | | 22.15 | | 10.59 |
| Interest on - gross | | | | |
| - Banks (Tax deducted at source Rs 46.61, 2003 : Rs 53.80) | | 221.89 | | 269.48 |
| - Others | | 44.51 | | 26.84 |
| Dividend Income | | 11.15 | | – |
| Other Sundry Receipts | | 163.14 | | 90.20 |
| | | 544.42 | | 450.63 |
| **17. MANUFACTURING AND OTHER EXPENSES** | | | | |
| Raw Materials consumed | | 1489.68 | | 1382.18 |
| Opening Stock: | | | | |
| Work-in-Progress | 352.21 | | 384.07 | |
| Finished Goods | 59.75 | | 441.15 | |
| By Products | 2.94 | 414.90 | 18.86 | 844.08 |
| Closing stock: | | | | |
| Work-in-Progress | 398.70 | | 352.21 | |
| Finished Goods | 58.23 | | 59.75 | |
| By Products | 3.95 | 460.88 | 2.94 | 414.90 |
| Decrease/(Increase) in Stocks: | | (45.98) | | 429.18 |
| Bauxite collection and transportation | | 443.02 | | 369.18 |
| Royalty & Cess | | 38.58 | | 32.78 |
| Power, Fuel | | 2384.38 | | 2482.00 |
| Stores & Spares | | 132.18 | | 121.13 |
| Repairs and maintenance | | | | |
| - Building | | 32.72 | | 23.07 |
| - Plant and machinery | | 603.72 | | 521.91 |
| NTPC common facility charges for Captive Power Plant | | 164.93 | | 186.82 |
| Other Manufacturing Expenses | | 10.76 | | 3.70 |
| | | 5,253.99 | | 5,551.95 |
| **18. EXPLOYEES' REMUNERATION AND BENEFITS** | | | | |
| Salaries, Wages and Bonus | | 1144.89 | | 1163.97 |
| Contribution to Provident / other Funds | | 85.46 | | 93.24 |
| Stalf welfare expenses | | 260.01 | | 265.41 |
| | | 1490.36 | | 1522.62 |
| **19. SELLING AND DISTRIBUTION** | | | | |
| Cash discount | | 3.13 | | 9.35 |
| Packing and forwarding | | 59.43 | | 37.22 |
| Other expenses | | 5.11 | | 5.70 |
| | | 67.67 | | 52.27 |
| **20. ADMINISTRATION & GENERAL** | | | | |
| Rent | | 1.17 | | 2.29 |
| Rates and Taxes | | 15.09 | | 17.05 |
| Power and Fuel | | 13.80 | | 10.02 |
| Repairs and Maintenance (others) | | 118.13 | | 79.61 |
| Insurance | | 33.25 | | 30.39 |
| Consultants fees | | 23.61 | | 40.95 |
| Travelling and conveyance | | 52.97 | | 40.23 |
| Advertisement and publicity | | 12.58 | | 8.38 |
| Auditors Remuneration | | 1.62 | | 2.77 |
| Exchange difference ( net) | | 3.03 | | – |
| Data processing | | 18.91 | | 6.26 |
| Bad debts/advances written off | 1.80 | | 97.25 | |
| Less: Provision for Doubtful Debts/advances written back | 1.80 | – | 81.01 | 16.24 |
| Provision for Doubtful Debts and Claims | | – | | 1.79 |
| Others | | 134.69 | | 108.95 |
| | | 428.85 | | 364.93 |

Rs. in Millions

| | | 2004 | 2003 |
|---|---|---|---|
| **21. INTEREST AND FINANCE CHARGES** | | | |
| - Long Term Loans | | 2.12 | 9.44 |
| - Others | | 77.55 | 45.88 |
| - Bank Charges | | 5.34 | 6.84 |
| | | 85.01 | 62.16 |
| **22. PROVISION FOR TAXATION** | | | |
| Income tax | | | |
| - Current | 213.61 | | 130.00 |
| - Deferred | 52.65 | | 162.22 |
| - Prior (net) | -222.51 | 43.75 | 32.31 |
| Wealth Tax | | 0.23 | 0.25 |
| | | 43.98 | 324.78 |

23.

**A SIGNIFICANT ACCOUNTING POLICIES**

**Basis of accounting**

The financial statements are prepared under historical cost convention in accordance with applicable accounting standards and provisions of the Companies Act, 1956.

**Use of estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Differences between actual results and estimates are recognized in the periods in which the results are known/materialise.

**Fixed assets**

Fixed assets are stated at cost of acquisition (net of cenvat) including taxes, duties and other incidental expenses related to acquisition.

Assets purchased out of Government grants are capitalised and depreciated in accordance with Schedule XIV of the Companies Act, 1956. The grant received is credited to Deferred Government Grant Account and amount equivalent to depreciation on above assets is recouped from the said account.

**Depreciation**

Depreciation on fixed assets is provided on straight line method at the rates specified in Schedule XIV to the Companies Act, 1956 except in the following cases where the rates of depreciation are higher than those specified in Schedule XIV:

i. Medical/Office Equipment/Air Conditioners, Furniture and Electrical Appliances are depreciated @ 20%. Personal Computer and Electronic Equipment are depreciated @ 33.33%.
ii. Leasehold land including land development expenses are amortised over a period of 20 years.
iii. Depreciation on Red Mud Pond and Ash Dyke are accounted for on the basis of technically estimated life.
iv. Capital Expenditure not represented by assets is written off over the approximate period of utility not exceeding 5 years.
v. Keeping in view the economic life, suitable provision is made in respect of immovable assets in mines towards estimated sunk cost.

**Investments**

Current investments are stated at lower of cost and market value.

**Inventories**

Inventories are valued on weighted average basis at lower cost or net realisable value. Scrap and by-products are valued at net realizable value. Obsolete, slow moving and defective inventories are identified and provision is made for such inventories.

**Foreign currency transactions**

Transactions in foreign currency are recorded at exchange rates prevailing on the date of the transaction. All monetary items denominated in foreign currency are restated at year end/forward rates.

Exchange differences on restatement or settlement are charged to profit and loss account except those relating to fixed assets, Which are included in the cost of the asset.

Exchange differences relating to foreign currency transactions covered by forward contracts are adjusted to the profit and loss account over the life of the contract except those relating to fixed assets which are included in the cost of the asset.

**Borrowing costs**

Borrowing costs attributable to the acquisition or construction of qualifying assets are capitalised. All other costs are charged to revenue.

**Sales**

Sales represents invoiced value of goods sold, net of sales tax and volume rebates but inclusive of excise duties.

**Retirement benefits**

The Company contributes to Provident Fund, which is charged to revenue. Gratuity and Leave Encashment liabilities are accounted for on the basis of actuarial valuation.

**Research and development**

Research and development expenditure of revenue nature is charged in the year it is incurred. Capital expenditure on research and development is included under fixed assets.

**Taxation**

Provision for current tax is made after taking into account rebate and relief available under the provisions of the Income Tax Act, 1961.

Deferred tax resulting from timing difference between book and taxable profit is accounted for using the tax rates and laws that have been enacted or substantively enacted as on the balance sheet date. The deferred tax asset is recognized only to the extent that there is a reasonable certainty that the future taxable profit will be available against which the deferred tax assets can be realized in future.

**Dividend**

Provision is made for proposed dividend and tax thereon subject to consent of the shareholders at the annual general meeting.

**Miscellaneous expenditure**

Liability towards employees who have opted for voluntary retirement against the Scheme declared by the Company in the current year, are charged off during the year, where as that pertaining to the previous year are amortized over a period of five accounting years.

**Contingent Liabilities**

Appropriate disclosure is made for all contingent liabilities.

**B. NOTES**

1. Unamortized Voluntary Retirement Scheme (VRS) expenditure pertaining to the previous year is being amortized over a period of five years. During the year, the company has charged to the profit and loss account entire compensation paid under new VRS. As a result of this policy, the VRS charge for the year ended March 31, 2004 is higher by Rs. 466.04 million and the profit after taxation for the year is lower to that extent.

| | | Rupees in Million | |
|---|---|---|---|
| | | **2004** | **2003** |
| 2. | Estimated amount of contracts remaining to be executed on capital account not provided for. | **22381.07** | 2049.76 |
| 3. | CONTINGENT LIABILITIES | | |
| | a) Claims against the Company not acknowledged as debts are as follows :- | | |
| | i. Relating to various matters pending in arbitration /court of law | **221.90** | 362.73 |
| | ii. Electricity surcharge | **62.37** | 81.93 |
| | iii. From railway authorities towards land rent and other charges | **2.20** | - |
| | b) Show cause Notices issued by Excise Authorities & Demands raised by them | **141.13** | 142.01 |
| | c) Chhatisgarh Government claim towards lease rent and premium and interest for 338.66 acres of land | **2.36** | 2.18 |
| | d) Chhatisgarh Govt. claim towards mines area development cess for Bauxite | **17.18** | 17.18 |
| | e) Customs Duty Bond taken for project import | **819.20** | 819.20 |
| | f) Guarantees given by the Company | **40.88** | 56.71 |

4. In respect of Red Mud Pond No. 6 and 7, which was taken on lease from Government of Chhattisgarh (erstwhile Madhya Pradesh), the State Government made a demand of Rs. 15.07 millions for lease premium at a rate of Rs. 4 per sq. ft., which was not accepted by the Company. Instead, capitalisation was done for an amount of Rs. 2.55 millions at the rate of Rs. 0.68 per sq. ft. being the rate at which a private land was acquired by the State Government at more or less the same time and amortisation is being made with reference to Rs. 2.55 millions. This has resulted in an under capitalisation of leased land by Rs. 12.52 millions and shortfall in amortisation of Rs. 8.76 millions (including Rs. 0.62 millions for the current year). Also the lease rent is being provided at the rate of Rs. 20/- per acre instead of Rs. 13,080/- per acre as demanded by the State Government which has resulted in a shortfall in lease charges amounting to Rs. 16.93 millions (including Rs. 1.13 millions for the current year).

5. The Company has export obligations of Rs. 731.91 millions (2003 : Rs. Nil) against the import Licenses taken for import of capital goods under Export Promotion Capital Goods Scheme.

6. In accordance with the Hon'ble Supreme Court's directives, Company had made an advance payment of Rs. 61.44 million to the workmen during the period of strike from March 2, 2001 to May 8, 2001. The Hon'ble Supreme Court has not issued any further direction in this matter.

7. The Company has not made any provision for claims recoverable from Madhya Pradesh Electricity Board (MPEB)/Chhatisgarh State Electricity Board (CSEB) amounting to Rs.100.76 millions (2003: 100.76 million ), which are disputed by them. The Company is also disputing the claims for surcharge made by MPEB/CSEB amounting to Rs. 62.37 millions (2003 : 81.93 millions), which has been included under contingent liability. The net amount recoverable/payable can only be ascertained on settlement of these disputes.

8. Consequent to the abandonment of the Gandhamardhan Bauxite Project, based on the approval of the Ministry of Mines vide its Letter No. 21/1/2000-MET 1 dated 9 June, 2000 and the approval of the Company Law Board vide its Letter No. 41/1/2001 CL III dated 16 February, 2001, the Company had, during the year 2000-01 reduced its paid up share capital by Rs. 238 millions.

9. The Research and development expenses charged to Profit & Loss Account amounting to Rs.10.86 millions (2003- Rs. 9.17 millions).

10. Fixed assets:
    (a) Company is yet to execute an agreement for the purchase of 171.44 acres of Korba Super Thermal Power Station land for captive power plant and 34.74 acres land for captive power plant quarters. This land was transferred at the time of takeover of captive power plant from National Thermal Power Corporation of India. Transfer of title deeds is pending in respect of certain land, buildings and flats.
    (b) Some land and quarters of the Company including 40 nos. of Company's quarters at Bidhan Bagh Unit and 300.88 acres of land at Korba and Bidhan Bagh have been unauthorisedly occupied for which evacuation efforts are in progress.
    (c) Plant and machinery includes capital expenditure of Rs. 251.59 million pertaining to Captive Power Plant which has been installed at the premises of National Thermal Power Corporation Ltd. in view of convenience of operations.
    (d) During the year the Company has commenced work on its new 245,000 tonnes per annum capacity smelter and 540MW capacity captive power plant project and all costs incurred on the same are included in capital work-in-progress.
    (e) Capital work-in-progress includes foreign exchange gain capitalized Rs. 48.60 million (2003 : Nil) and borrowing cost on qualifying assets capitalized Rs. 186 million (2003: Nil).

11. Debenture redemption reserve is not created as the same is a private placement.

12. The major components of the deferred tax assets/liabilities, based on the tax effect of the timing differences as at 31 March, 2004 are as under :

| | Rupees in Million | |
|---|---|---|
| | **2004** | 2003 |
| **Deferred tax liability** | | |
| Depreciation | **918.61** | 758.02 |
| **Deferred tax asset** | | |
| Provision for doubtful debts/advances/claims | **60.70** | 69.29 |
| Payment under voluntary retirement scheme | **185.29** | 36.21 |
| Other Assets | **112.16** | 144.72 |
| | **358.15** | 250.22 |
| **Net deferred tax asset/(liability)** | **(560.46)** | (507.80) |

| | | |
|---|---|---|
| 13. Auditors remuneration includes : | | |
| Statutory auditors : | | |
| Audit Fees | **1.19** | 0.80 |
| Tax Audit | **0.43** | 0.20 |
| Other services | – | 0.25 |
| Reimbursement of expenses | – | 0.28 |

14. Details of licenced, Installed Capacity and Actual Production (as Certified by the Management)

| Description | Unit | Licenced Capacity 2004 | Licenced Capacity 2003 | Installed Capacity 2004 | Installed Capacity 2003 | Production 2004 | Production 2003 |
|---|---|---|---|---|---|---|---|
| 1. Aluminium Ingot, Billets, Slabs, Bus Bar, Alloy Ingots | MT | N.A. | N.A. | N.A. | N.A. | 13149 | 20490 |
| 2. Wire Rods | MT | 50350 | 50350 | 55750 | 55750 | 48243 | 47490 |
| 3. Extruded Products | MT | 11000 | 11000 | 8000 | 8000 | – | – |
| 4. Rolled Products | MT | 44900 | 44900 | 43600 | 43600 | 35696 | 27510 |
| 5. Foil Products | MT | 500 | 500 | 600 | 600 | – | – |
| 6. Conductor | MT | 2400 | 2400 | 1200 | 1200 | – | – |
| **TOTAL** | | | | | | **97,088** | **95,490** |
| 7. Power generated at Captive Power Plant | MU | 270 | 270 | 270 | 270 | 2091 (MU) | 1985 (MU) |

15. Details of Opening Stock, Closing Stock and Sales (As certified by the Management).

**A . Opening Stock**

| Description | Unit | 2004 Quantity | 2004 Value Rs. in Millions | 2003 Quantity | 2003 Value Rs. in Millions |
|---|---|---|---|---|---|
| 1. Aluminium Ingot, Billets, Slabs, Bus Bar, Alloy Ingots | MT | 154 (a) | 10.90 | 1182 (a) | 91.88 |
| 2. Wire Rods | MT | 405 (b) | 28.48 | 909 (b) | 74.00 |
| 3. Extruded Products | MT | – | – | 106 | 7.98 |
| 4. Rolled Products | MT | 240 (c) | 20.37 | 2899(c) | 259.19 |
| 5. Foil Products | MT | –(d) | – | 22(d) | 0.60 |
| 6. Conductor | MT | – | – | 84 | 7.50 |
| **TOTAL** | | 799 | 59.75 | 5202 | 441.15 |

**B. Closing Stock**

| Description | Unit | 2004 Quantity | 2004 Value Rs. in Millions | 2003 Quantity | 2003 Value Rs. in Millions |
|---|---|---|---|---|---|
| 1. Aluminium Ingot, Billets,Slabs,Bus Bar, Alloy Ingots | MT | 16(a) | 1.17 | 154(a) | 10.90 |
| 2. Wire Rods | MT | 138(b) | 9.85 | 405(b) | 28.48 |
| 3. Extruded Products | MT | – | – | – | – |
| 4. Rolled Products | MT | 500(c) | 47.21 | 240(c) | 20.37 |
| 5. Foil Products | MT | – | – | – | – |
| 6. Conductor | MT | – | – | – | – |
| **TOTAL** | | 654 | 58.23 | 799 | 59.75 |

a) Out of which 55 MT (2003 - 13 MT) used for Own Consumption.

b) Excludes Nil MT (2003 - 67MT) Sales Return, Nil MT (2003 - 10 MT) own Consumption.

c) Excludes 65 Mt (2003 - 23 Mt) Sales Return, 278 MT (2003 - 170 Mt) own Consumption.

d) Out of which nil MT was used for own consumption.(2003:16MT)

**(C) Sales**

| Description | Unit | 2004 Quantity | 2004 Value Rs. in Millions | 2003 Quantity | 2003 Value Rs. in Millions |
|---|---|---|---|---|---|
| 1. Aluminium Ingot, Billets, Slabs, Bus Bar, Alloy Ingots | MT | 13232 | 1198.85 | 21505 | 1884.26 |
| 2. Wire Rods | MT | 48510 | 4729.87 | 47917 | 4548.13 |
| 3. Extruded Products | MT | | | 87 | 7.89 |
| 4. Rolled Products | MT | 35093 | 3924.26 | 29976 | 3294.97 |
| 5. Foil Products | MT | – | – | 6 | 0.56 |
| 6. Conductor | MT | – | – | 84 | 7.20 |
| 7. By Products | | – | 123.12 | – | 109.63 |
| **TOTAL** | | 96835 | 9976.10(a) | 99575 | 9852.64 |
| 8. Wheeled back Power to CSEB Grid | MU | 50.97 | 51.67 | 44 | 32.73 |

a) Excludes Export Sales of Alumina (semi-finished product) Rs. 87.86 millions.

**16. Details of Raw Materials Consumed (As certified by the management)**

| Description | Unit | 2004 Quantity | 2004 Value Rs. in Millions | 2003 Quantity | 2003 Value Rs. in Millions |
|---|---|---|---|---|---|
| 1. Caustic Soda | MT | 28672 | 382.84 | 26085 | 306.92 |
| 2. C.P. Coke | MT | 39602 | 472.44 | 38619 | 430.06 |
| 3. C.T. Pitch | MT | 17745 | 242.24 | 17209 | 241.34 |
| 4. Cryolite | MT | 3130 | 123.19 | 3456 | 130.18 |
| 5. Aluminium Floride | MT | 4416 | 163.23 | 3908 | 154.85 |
| 6. Lime | MT | 9320 | 20.28 | 7183 | 14.83 |
| 7. Others | | | 85.46 | | 104.00 |
| **TOTAL** | | | 1489.68 | | 1382.18 |

**17. Value of Raw Materials Consumed**

| Particulars | 2004 % | 2004 Value Rs. in Millions | 2003 % | 2003 Value Rs. in Millions |
|---|---|---|---|---|
| Indigenous | 90.26 | 1,344.63 | 98.82 | 1365.84 |
| Imported | 9.74 | 145.05 | 1.18 | 16.34 |
| TOTAL | 100.00 | 1489.68 | 100.00 | 1382.18 |

**18. Value of Components, Stores & Spare Parts Consumed**

| Particulars | 2004 % | 2004 Value | 2003 % | 2003 Value |
|---|---|---|---|---|
| Indigenous | 65.33 | 346.08 | 72.04 | 356.98 |
| Imported | 34.67 | 183.64 | 27.96 | 138.58 |
| TOTAL | 100.00 | 529.72 | 100.00 | 495.56 |

Stores and spare parts consumed debited under various heads in the Profit & Loss Account - Rs. 529.72 millions (2003 – Rs.495.56 millions)

**19. CIF Value of Imports**

| Particulars | 2004 Rs.in Millions | 2003 Rs.in Millions |
|---|---|---|
| Raw materials | 100.60 | 50.76 |
| Components, Stores and spare parts | 142.74 | 119.54 |
| Capital Goods | 251.41 | – |
| **Total** | 494.75 | 170.30 |

**20. Expenditure in Foreign Currency**

| Particulars | 2004 Rs. in Millions | 2003 Rs. in Millions |
|---|---|---|
| Know-how and professional consultation fees | 476.48 | 90.87 |
| Interest | – | 2.90 |
| Others: Business tours, Training expenses etc. | 5.25 | 2.22 |
| **Total** | 481.73 | 95.99 |

**21. Earning in Foreign Exchange**

| | | |
|---|---|---|
| FOB Value of Exports | 87.86 | – |

**22. Earnings per Share (EPS) :**

Rs. in Millions

| Particulars | March 31, 2004 | March 31, 2003 |
|---|---|---|
| Net profit after taxation for the period | 674.81 | 644.93 |
| Exceptional items | 683.53 | 100.98 |
| Net profit after taxation for the period excluding exceptional items | 1,358.34 | 745.91 |
| Weighted number of ordinary shares for basic EPS | 220,624,500 | 220,624,500 |
| Nominal value of ordinary share | 10/- | 10/- |
| Basic/Diluted earnings for ordinary shares (in Rs.) | 3.06 | 2.92 |
| Basic/Diluted earnings for ordinary shares (in Rs.) excluding exceptional items | 6.16 | 3.38 |

**23.** The Company is engaged in the business of mining and smelting of aluminium and its operations are in a single segment as defined by Accounting Standard 17 – segment reporting, issued by Institute of Chartered Accountants of India.

**24.** a. Names of related parties and description of relation :

| | | |
|---|---|---|
| (i) | Holding companies : Immediate : | Sterlite Industries (India) Limited |
| | Ultimate in U. K : | Vedanta Resources Plc. U. K. * |
| (ii) | Fellow subsidiaries | Hindustan Zinc Limited |
| | | Vedanta Alumina Ltd. * |
| | | Sterlite Paper Ltd. * |
| | | Monte Cello BV * |
| | | Copper Mines of Tasmania Pty Ltd. * |
| | | Thalanga Copper Mines Pty Ltd. * |
| (iii) | Associate Company | Madras Aluminum Company Limited |
| | | India Foils Limited |
| (iv) | Key Personnel | Mr. T.L.Palani Kumar, Managing Director |

**b. Transactions with related parties:**

Rupees in Millions

| Nature of transactions | Holding Company | | Fellow Subsidiaries | | Associate | | Total Amount | |
|---|---|---|---|---|---|---|---|---|
| | 2004 | 2003 | 2004 | 2003 | 2004 | 2003 | 2004 | 2003 |
| Purchase of finished goods | – | – | – | – | 34.65 | – | 34.65 | – |
| Sale of goods | 399.89 | 384.00 | 27.88 | 11.78 | 591.93 | - | 1019.70 | 395.78 |
| Personnel Services and apportionment of common group expenses | 195.43 | 108.20 | 0.90 | - | 23.71 | - | 220.04 | 108.20 |
| Debtors balance as at March 31, 2004 | - | 12.48 | 5.31 | - | 87.58 | - | 92.89 | 12.48 |
| Creditors balance as at March 31, 2004- | – | 13.49 | – | – | 1.65 | – | 1.65 | 13.49 |

* No transactions with these related parties during the year.

**25.** Vedanta Resources Plc. United Kingdom, the ultimate holding company is listed at the London stock exchange and for compliance with the United Kingdom regulations, the consolidated financial statements includes the restated financial statements of Bharat Aluminium Company Limited as per generally accepted accounting standards of United Kingdom, (UK GAAP), of the Company.

**26.** Previous year's figures have been re-arranged/re-grouped wherever necessary to make them comparable with those of the current year.

As per our report of even date
**Deloitte Haskins & Sells**
*Chartered Accountants*

**R. RAGHAVAN**
*Partner*
Membership No. 9483

Place : Mumbai
Dated : June 10, 2004

For and on behalf of the Board of Directors

**T. L. PALANI KUMAR** — *Managing Director*

**TARUN JAIN** — *Director*

**RAVI RAJAGOPAL**
*Company Secretary & Head-Legal*

## BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

**I. Registration Details**

Registration No. 4518 State Code: 55

Balance Sheet Date: 31 03 2004 (Date Month Year)

**II. Capital Raised during the period (Amount in Rs. Thousands)**

| Public / Euro Issue | Rights Issue |
|---|---|
| NIL | NIL |
| **Bonus Issue** | **Private Placement** |
| NIL | NIL |

**III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)**

| Total Liabilities | Total Assets |
|---|---|
| 18776106 | 18776106 |

**Source of Funds**

| Paid up Capital | Reserves & Surplus |
|---|---|
| 2206245 | 4869584 |
| **Deferred Taxation** | |
| 560458 | |
| **Secured Loans** | **Unsecured Loans** |
| 9900106 | 1239713 |

**Application of Funds**

| Net Fixed Assets | Investments |
|---|---|
| 11439013 | 4450000 |
| **Net Current Assets** | **Miscellaneous Expense** |
| 2584149 | 302944 |

**IV Performance of Company (Amount in Rs.Thousands)**

| Turnover | Total Expenditure |
|---|---|
| 9200120 | 8481310 |
| **Profit/Loss before Tax** | **Profit/Loss after tax** |
| 718810 | 674827 |
| **Earning Per Share in Rs.** | **Dividend Rate %** |
| 3.06 | 5% |

**V Generic Names of Principal Products of Company (as per monetary terms)**

Item Code No. (ITC Code) 7605
Product Description: ALUMINUM WIRE RODS

Item Code No. (ITC Code) 7606
Product Description: ALUMINUM ROLLED PRODUCTS

Item Code No. (ITC Code) 7601
Product Description: ALUMINUM INGOTS

For and on behalf of the Board of Directors

**T. L. PALANI KUMAR** — *Managing Director*

**TARUN JAIN** — *Director*

**RAVI RAJAGOPAL**
*Company Secretary & Head-Legal*

Place : Mumbai
Dated : June 10, 2004

## CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2004

**(Rs. in Millions)**

| | | 2004 | | 2003 | |
|---|---|---|---|---|---|
| **A** | **Cash Flow from operating Activities** | | | | |
| | Net profit before tax | | 718.80 | | 969.71 |
| | Adjusted for : | | | | |
| | - Depreciation and amortisation | 471.91 | | 357.11 | |
| | - Interest earned | (266.40) | | (269.48) | |
| | - Interest and finance charges | 79.67 | | 55.32 | |
| | - Profit on sale of Investment-net | (1.76) | | (0.90) | |
| | - Profit on sale of Assets- net | (18.93) | | (12.76) | |
| | - VRS expenditure to the extent written off | 100.98 | | 100.98 | |
| | - Deferred Government Grant | (0.06) | 365.41 | (0.06) | 230.21 |
| | Operating profit before working capital changes | | 1084.21 | | 1199.92 |
| | Adjusted for : | | | | |
| | - Trade and other receivables | (238.75) | | (276.51) | |
| | - Inventories | (65.04) | | 576.24 | |
| | - Current liabilities | 1175.16 | 871.37 | (129.97) | 169.76 |
| | Cash generated from operations | | 1955.58 | | 1369.68 |
| | Direct taxes paid | | (47.67) | | (162.54) |
| | Net Cash from operating Activities | | 1907.91 | | 1207.14 |
| **B.** | **Cash Flow from Investing Activities** | | | | |
| | Purchase of fixed assets | | (7176.24) | | (279.43) |
| | Sale of Fixed Assets | | 21.45 | | 19.61 |
| | Purchase/Sale of Current Investments (net) | | (4388.24) | | (59.10) |
| | Interest received | | 311.68 | | 280.04 |
| | Net cash from investing activities | | (11231.35) | | (38.88) |
| **C.** | **Cash Flow from Financing Activities** | | | | |
| | Net Proceeds from borrowings | | 10372.00 | | (433.08) |
| | Interest and finance Charges paid | | (256.23) | | (144.36) |
| | Net Cash from Financing Activities | | 10115.77 | | (577.44) |
| | Net Increase in cash and cash equivalent | | 792.33 | | 590.82 |
| | **Cash and Cash Equivalents as at March 31, 2003** | | 3545.56 | | 2954.74 |
| | **Cash and Cash Equivalents as at March 31, 2004** | | 4337.89 | | 3545.56 |

**Note:** Previous year's figures have been recasted/regrouped, wherever necessary.

**As per our report of even date**
**For Deloitte Haskins & Sells**
**Chartered Accountants**

**R Raghavan**
***Partner***
**Membership No. 9483**

**Place : Mumbai**
**Date : June 10, 2004**

**For and on behalf of the Board of Directors**

**T. L. Palani Kumar** — ***Managing Director***
**Tarun Jain** — ***Director***

**Ravi Rajagopal**
**Company Secretary & Head Legal**

## DIRECTORS' REPORT

The Members,

The Directors present the Financial results for the year ended March 31, 2004.

| **Financial Performance** | **March 31, 2004 (Rs. million)** | March 31, 2003 (Rs. million) |
|---|---|---|
| Loss for the period | **(32.22)** | (232.49) |
| Balance carried forward | **(264.71)** | (232.49) |

**Dividend**

In absence of profits, your Directors do not recommend any dividend for the year ended March 31, 2004.

**Acquisition of Equity Shares of Hindustan Zinc Limited**

During the year your Company further acquired 79,950,657 equity shares of Rs.10 each of Hindustan Zinc Limited (HZL) for Rs.3238.8 million on exercise of the call option as per the agreement executed with the Government of India. With the additional acquisition of equity shares, the Company has consolidated its shareholding in the subsidiary company (HZL) and its stake has gone up from 194,364,674 equity shares to 274,315,331 equity shares of Rs.10 each representing (64.92%) of the paid up share capital of Hindustan Zinc Limited.

**7% Non Convertible Debentures**

Your Company had allotted on 9th July, 2003, 2500, 7% Secured Redeemable Non Convertible Debentures of Rs.250 crores in the form of Separate Tradeable of Redeemable Principal Parts (STRPP). Each debenture consists of five parts A, B, C, D, and E. These parts are due for redemption each succeeding year from the date of allotment . The proceeds of the issue were utilised for refinancing the debts borrowed and participating in the disinvestment of Hindustan Zinc Limited by the Government of India.

**Optionally Fully Convertible Debentures**

During the year your Company further allotted 32,66,60,000 Zero percent Optionally Fully Convertible Debentures (OFCD) of Rs.10/-each to Sterlite Industries (India) Limited, the Holding Company. This was for augmenting long-term financial resources and for general corporate purpose.

**Directors' Responsibility Statement**

**As required under Section 217(2AA) of the Companies Act, the Directors hereby confirm that :**

i) in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;

ii) such accounting policies have been selected and applied consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the loss of the Company for that period;

iii) proper and sufficient care for the maintenance of adequate accounting records had been taken in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

iv) the accounts are prepared on a going concern basis.

**Employees**

The Company had no employees getting salary in excess of the limits specified in Section 217(2A) of the Companies Act, 1956.

**Directors**

Mr. Anil Agarwal, Director of the Company retires by rotation and being eligible offers himself for re-appointment.

**Fixed Deposits**

The Company has not accepted any deposits.

**Subsidiary Company**

As required under Section 212 of the Companies Act, 1956, the audited statement of accounts of the subsidiary company, Hindustan Zinc Limited along with the Report of the Board of Directors of the subsidiary company and auditors report thereon is annexed.

**Auditors**

M/s Deloitte Haskins & Sells, Chartered Accountants, auditors of your Company, retire at the ensuing Annual General meeting and being eligible, offer themselves for re-appointment.

For and on behalf of the Board of Directors

**TARUN JAIN** — Director
**RAMESH VENKAT** — Director

Place : Mumbai
Date : June 14, 2004

## AUDITORS' REPORT

**To The Members Of Sterlite Opportunities And Ventures Limited**

1. We have audited the attached Balance Sheet of Sterlite Opportunities and Ventures Limited (the "Company"), as at 31st March, 2004, and also the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors' Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
   (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
   (ii) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.
   (iii) The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account;
   (iv) In our opinion, the Balance Sheet, Profit and Loss Account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
   (v) On the basis of written representations received from the Directors, as on 31st March, 2004 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2004 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
   (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
      (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2004; and
      (b) in the case of the Profit and Loss Account, of the loss for the year ended on that date.

For **Deloitte Haskins & Sells**
Chartered Accountants

**C. R. Rajagopal**
Partner
Membership No. 23418

Place : Mumbai
Date : June 14, 2004

## ANNEXURE TO THE AUDITORS' REPORT

Annexure referred to in paragraph 3 of the report of even date

1. The Company does not have any fixed assets other than land. In respect of land the Company is maintaining proper records showing full particulars and situation of such land.
2. The Company is not engaged in the manufacture or processing of goods. Therefore the provisions of clause 4 (ii) of the Companies (Auditors' Report) Order, 2003 regarding the maintenance of records for finished goods and raw material are not applicable to the Company.
3. The company has not granted/taken any loans, secured or unsecured, to/from companies, firms or other parties as listed in the register maintained under Section 301 of the Companies Act, 1956. Therefore, the provisions of clause 4(iii) of the Companies (Auditors' Report) Order, 2003 regarding the number of parties and amount involved in such transactions are not applicable to the Company.
4. In our opinion and according to the information and explanation given to us, there are adequate internal control procedures commensurate with the size of the company in relation to purchase of asset. There was no sale of assets during the year.
5. According to the information and explanations given to us, we are of the opinion that there are no transactions made in pursuance of contracts and arrangements to be entered in the register maintained under Section 301 of the Companies Act, 1956.
6. The Company has not accepted any deposits from the public during the year. Therefore the provisions of clause 4(vi) of the Companies (Auditor's Report) Order, 2003 regarding the compliance of Section 58A and 58AA of the Act and the rules framed there under are not applicable to the Company.
7. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
8. The provisions of Section 209 (1) (d) of the Companies Act, 1956 regarding the maintenance of cost records are not applicable to the company. Therefore the provisions of clause 4(viii) of the Companies (Auditor's Report) Order, 2003 regarding the maintenance of cost records are not applicable to the Company.
9. (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education protection fund, employees' state insurance, income tax, sales tax, wealth tax, custom duty, excise duty, cess and other material statutory dues applicable to it.
   (b) According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, sales tax, customs duty, excise duty and cess were in arrears, as at 31st March, 2004 for period of more than six months from the date they became payable.
   (c) According to the information and explanations given to us, there are no dues of sales tax, income tax, custom duty, wealth tax, excise duty and cess which have not been deposited on account of any dispute.
10. The Company is not in existence for more than five years as at balance sheet date. Therefore, the provisions of clause 4(x) of the Companies (Auditor's Report) Order, 2003 regarding the net worth and the cash losses are not applicable to the Company.
11. Based on our audit procedures and on the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to a financial institution or bank or debentureholders.
12. Based on our examination of documents and records, we are of the opinion that no loans or advances have been granted by the Company on the basis of security by way pledge of shares, debentures and other securities.
13. The Company does not carry out chit fund business. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
14. The Company does not deal/trade in shares. securities and debentures. Therefore, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 regarding the maintenance of records of the transactions and contracts are not applicable to the Company.
15. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institution during the year.
16. In our opinion, the money raised through debentures, have been applied for the purpose for which they were raised.
17. According to the information and explanations given to us and on an overall examination of the Balance Sheet the Company, we report that the funds raised on short-term basis have been used for long-term investment to the extent of Rs. 3.70 Million. No long-term funds have been used to finance short-term assets.
18. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act. Therefore, the provisions of clause 4(xviii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
19. According to the information and explanations given to us, during the year the Company had issued 2,500 Non Convertible Debentures of Rs. 1,000,000/- each and 437,080,000 Optionally Fully Convertible Debentures of Rs. 10/- each. The Company has partly created security in respect of debentures issued.
20. The Company has not raised money through public issues. Therefore, the provisions of clause 4(xx) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
21. To the best of our knowledge and belief and according to the information and explanation given to us, no fraud on or by the Company was noticed or reported during the year.

For **Deloitte Haskins & Sells**
Chartered Accountants

**C. R. Rajagopal**
Partner
Membership No. 23418

Place : Mumbai
Date : June 14, 2004

## AUDITORS' REPORT TO THE BOARD OF DIRECTORS UNDER THE NON-BANKING FINANCIAL COMPANIES AUDITORS' REPORT (RESERVE BANK) DIRECTION, 1998

We have examined the books of account and records maintained by Sterlite Opportunities and Ventures Limited for the year ended 31st March, 2004 and as required by "Non-Banking Financial Companies Auditor's Reports (Reserve Bank) Directions, 1998" issued by the Reserve Bank of India in exercise of the powers conferred by sub-section (1A) of Section 45 MA of the Reserve Bank of India Act, 1934, we furnish hereunder our report on the matters specified in paragraph 3 and 4 of the said Directions to the extent applicable to the Company.

1. The Company has obtained a certificate of registration from the Reserve Bank of India.
2. The Board of Directors has passed a resolution for non-acceptance of any public deposits at its meeting 2nd August 2003.
3. The Company has not accepted any public deposits during the year.
4. The Board of Directors passed a resolution identifying Hindustan Zinc Limited as its subsidiary at its meeting held on 14th May 2002.
5. The cost of investments made by the Company in Hindustan Zinc Limited is not less than 90 percent of the cost of total assets of the Company at any point of time during the year after the investment was made.
6. As on 31st March, 2004, the Company continues to hold shares in Hindustan Zinc Limited as long-term investments and has not traded in those investments during the year.

For **Deloitte Haskins & Sells**
Chartered Accountants

**C. R. Rajagopal**
Partner
Membership No. 23418

Place : Mumbai
Date : June 14, 2004

## BALANCE SHEET AS AT MARCH 31, 2004

| | Schedule | March 31, 2004 (Rs. Millions) | March 31, 2004 (Rs. Millions) | March 31, 2003 (Rs. Millions) |
|---|---|---|---|---|
| **I. SOURCES OF FUNDS** | | | | |
| **1. Shareholders' Funds** | | | | |
| Capital | 1 | **25.50** | | 25.50 |
| Share application money pending allotment | | – | | 1,205.00 |
| | | | **25.50** | 1,230.50 |
| **2. Loan Funds** | | | | |
| Secured loans | 2 | **10,986.00** | | 4,115.20 |
| Unsecured loans | 3 | **192.63** | | 2,500.00 |
| | | | **11,178.63** | 6,615.20 |
| **TOTAL** | | | **11,204.13** | 7,845.70 |
| **II. APPLICATION OF FUNDS** | | | | |
| **1. Fixed Assets** | | | | |
| Gross Block | | | | |
| – Freehold land acquired during the period | | | **0.23** | – |
| Less : Depreciation | | | – | – |
| Net Block | | | **0.23** | – |
| **2. Investments** | 4 | | **11,014.97** | 7,776.17 |
| **3. Current assets, loans and advances** | | | | |
| Cash and bank balances | 5 | **3.90** | | 3.86 |
| Loans and advances | 6 | **48.16** | | 10.40 |
| | | **52.06** | | 14.26 |
| **Less : Current liabilities and provisions :** | | | | |
| Current Liabilities | 7 | **127.99** | | 177.38 |
| | | **127.99** | | 177.38 |
| **Net current liabilities** | | | **(75.93)** | (163.12) |
| **4. Miscellaneous Expenditure** (to the extent not written off or adjusted) | | | | |
| Preliminary expenses | | | **0.15** | 0.16 |
| **Profit and Loss Account** | | | **264.71** | 232.49 |
| **TOTAL** | | | **11,204.13** | 7,845.70 |
| Notes on Accounts | 11 | | | |

As per our attached report of even date

For **DELOITTE HASKINS & SELLS,**
Chartered Accountants

For and on behalf of the Board

**C.R. RAJAGOPAL**
Partner
M. No. 23418

**RAMESH VENKAT**
Director

**TARUN JAIN**
Director

Place : Mumbai
Dated : June 14, 2004

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2004

| | Schedule | For the year ended March 31,2004 (Rs. Millions) | For the period from Jan 11,2002 to March 31, 2003 (Rs. Millions) |
|---|---|---|---|
| **INCOME** | | | |
| Investment/ Interest Income | 8 | **155.49** | 0.11 |
| | | **155.49** | 0.11 |
| **EXPENDITURE** | | | |
| Administration and other expenses | 9 | **2.79** | 8.22 |
| Interest and Finance charges | 10 | **184.92** | 224.38 |
| | | **187.71** | 232.60 |
| **NET LOSS** | | **(32.22)** | (232.49) |
| Balance brought forward from last year | | **(232.49)** | – |
| **Balance carried to the Balance Sheet** | | **(264.71)** | (232.49) |
| Basic and diluted earnings per share (Face value of Rs. 10 each) | | **(12.63)** | (91.17) |
| Notes on Accounts | 11 | | |

As per our attached report of even date

For **DELOITTE HASKINS & SELLS,**
Chartered Accountants

For and on behalf of the Board

**C.R. RAJAGOPAL**
Partner
M. No. 23418

**RAMESH VENKAT**
Director

**TARUN JAIN**
Director

Place : Mumbai
Dated : June 14, 2004

## SCHEDULES FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

| | March 31, 2004 (Rs. Millions) | March 31, 2003 (Rs. Millions) |
|---|---|---|
| **SCHEDULE 1** | | |
| **SHARE CAPITAL :** | | |
| Authorised : 3,000,000 (2003: 3,000,000) Equity Shares of Rs. 10/- each | **30.00** | 30.00 |
| **Total** | **30.00** | 30.00 |
| Issued, subscribed and paid up : 2,550,000 (2003:2,550,000) Equity Shares of Rs. 10/- each fully paid up (All the above shares are held by Sterlite Industries (India) Limited - the Holding Company and their nominees) | **25.50** | 25.50 |
| **Total** | **25.50** | 25.50 |
| **SCHEDULE 2** | | |
| **SECURED LOANS :** | | |
| 7%, 2500 Non Convertible Debentures of Rs. 1,000,000 each, secured by a first pari-passu mortgage over freehold land and unconditional and irrevocable guarantee of ICICI Bank Limited and redeemable in 5 equal yearly instalments commencing July 9, 2004 | **2,500.00** | – |
| 8,48,60,000 Zero % Optionally Fully Convertible Debentures of Rs. 10/- each secured by first pari-passu mortgage over freehold land. | **8,486.00** | 4,115.20 |
| The above debentures at the option of the holders is convertible into equity shares at any time after 18 months or redeemable at the end of 5 years, from the date of allotment on the following basis : 4,115,200,000 by March 10,2008; 1,135,400,000 by September 30,2008; 3,235,400,000 by October 29, 2008 | | |
| **Total** | **10,986.00** | 4,115.20 |
| **SCHEDULE 3** | | |
| **UNSECURED LOANS** | | |
| Advance from Holding Company - Sterlite Industries (India) Limited | **192.63** | |
| Inter-Corporate Deposits | | 2,500.00 |
| **Total** | **192.63** | 2,500.00 |
| **SCHEDULE 4** | | |
| **INVESTMENTS :** (Long Term at Cost) | | |
| **IN EQUITY SHARES OF SUBSIDIARY COMPANY** | | |
| QUOTED (FULLY PAID UP) 274,315,331(2003: 194,364,674) Equity shares of Rs,10/- each of Hindustan Zinc Limited | **11,014.97** | 7,776.17 |
| During the period Company acquired 79,950,657 shares for Rs. 3238.8 Millions upon exercising Call option. Pledged with ICICI Bank Limited for providing bank guarantee. (Prior period: pledged with ICICI Bank Limited for loan taken by a company under same management) The Company has the right to exercise the call option upon expiry of the 5 year period from April 2002, i.e., on or after April, 2007 to acquire further shares, if any, held by Government of India. | | |
| **Total** | **11,014.97** | 7,776.17 |
| Market value of quoted Investments | **27,870.44** | 2,857.16 |

| | | March 31, 2004 (Rs. Millions) | March 31, 2003 (Rs. Millions) |
|---|---|---|---|
| **SCHEDULE 5** | | | |
| **CASH AND BANK BALANCES** | | | |
| Cash on hand | | – | – |
| Balance with Scheduled Banks in Current Account (including Rs. 3,430,000 in Escrow Account) | | **3.90** | 3.86 |
| **Total** | | **3.90** | 3.86 |
| **SCHEDULE 6** | | | |
| **LOANS AND ADVANCES (Unsecured and Considered Good)** | | | |
| Advances recoverable in cash or in kind or for value to be received | | **37.93** | 0.17 |
| Taxation | | **10.23** | 10.23 |
| **Total** | | **48.16** | 10.40 |
| **SCHEDULE 7** | | | |
| **CURRENT LIABILITIES AND PROVISIONS** | | | |
| **Current Liabilities :** | | | |
| Sundry Creditors | | | |
| – Small scale industrial undertakings | | – | – |
| – Others | | **0.20** | 5.33 |
| | | **0.20** | 5.33 |
| Other liabilities | | **0.13** | 23.66 |
| Interest accrued but not due | | **127.66** | 148.39 |
| **Total** | | **127.99** | 177.38 |
| | | **For the year ended March 31, 2004 (Rs. Millions)** | For the period ended from Jan. 11, 2002 to March 31, 2003 (Rs. Millions) |
| **SCHEDULE 8** | | | |
| **INVESTMENT/ INTEREST INCOME** | | | |
| Dividend - gross | | **155.49** | – |
| Interest on fixed deposits with banks (Tax Deducted at Source Rs. Nil (2003: Rs.22,706) | | – | 0.11 |
| **Total** | | **155.49** | 0.11 |
| **SCHEDULE 9** | | | |
| **ADMINISTRATION EXPENSES** | | | |
| Printing charges | | – | 0.59 |
| Legal fees | | **0.74** | 0.69 |
| Professional charges | | **1.76** | 4.45 |
| Demat charges | | **0.13** | 0.12 |
| Advertisements | | **0.00** | 0.31 |
| Rates and taxes | | – | 2.00 |
| General expenses | | **0.11** | 0.00 |
| Auditors remuneration | | | |
| – Audit fees | **0.03** | | 0.02 |
| – Certification fees | – | | 0.02 |
| | | **0.03** | 0.04 |
| Miscellaneous expenditure | | **0.02** | 0.02 |
| **Total** | | **2.79** | 8.22 |
| **SCHEDULE 10** | | | |
| **INTEREST AND FINANCE CHARGES** | | | |
| Interest on non convertible debentures & inter corporate deposits | | **135.63** | 172.07 |
| Guarantee commission | | **38.35** | 35.48 |
| Debenture Placement fees | | **8.19** | – |
| Loan arrangement fees | | **2.13** | 16.08 |
| Trustee fees | | **0.62** | 0.75 |
| Bank charges | | **0.00** | 0.00 |
| **Total** | | **184.92** | 224.38 |

## SCHEDULES FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

**SCHEDULE 11**

**NOTES ON ACCOUNTS**

1. **Background**

STERLITE OPPORTUNITIES AND VENTURES LIMITED (the "Company") was incorporated on January 11, 2002 and is a wholly owned subsidiary of Sterlite Industries (India) Limited. The Company has acquired the shares of Hindustan Zinc Limited ("HZL") in pursuant to Shareholders Agreement entered with the Government of India and accordingly, HZL has become a subsidiary of the Company.

2. **Summary of significant accounting policies:**

a) **Basis of preparation of financial statements:**

The financial statements are prepared under historical cost convention, in compliance with the mandatory accounting standards issued by the Institute of Chartered Accountants of India and provisions of Companies Act, 1956.

The financial statements have also been prepared on a "Going Concern" basis despite continued losses and erosion of net worth, due to the fact that the investments made by the company, which are considered strategic, are likely to yield benefits to the Company in the ensuring years.

b) **Investments:**

Investments are classified as long term Investments and are carried at cost of acquisition less dividend received from pre-acquisition profits. Provision, if any, is made to recognise a decline other than temporary in the carrying amount of long term investment.

c) **Preliminary Expenses:**

Preliminary Expenses are amortised over a period of ten years.

d) **Borrowing Costs:**

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalised as part of such assets. A qualifying asset the one that necessarily takes substantial period of time to get ready for intended use. All other borrowing costs are charged to Profit and Loss Account.

e) **Income Taxes:**

Current tax is determined in accordance with the provisions of Income Tax Act, 1961.

Deferred tax is accounted for all timing differences, subject to consideration of prudence in respect of deferred tax assets.

f) **Contingent Liabilities:**

Contingent liabilities, if any, are appropriately disclosed in the notes. Provision is made in respect of those contingencies, which are likely to materialise into liabilities after the year-end till the approval of accounts and have material effect on the position stated in the Balance Sheet.

3. **Notes forming part of accounts**

a) During the year, the Company, pursuant to share holders agreement with the Government of India, has exercised its call option for purchase of 79,950,657 equity shares of HZL.

b) The investments include 9,512,801 equity shares, lying in escrow account pending completion of formalities with Securities and Exchange Board of India ("SEBI"). The above shares include 100 equity shares of HZL to be returned to a shareholder in terms of the open offer.

c) Loans and Advances include placement fees of Rs. 25.50 millions incurred on the issue of 7% Non convertible Debentures, which is expensed over the tenor of the debentures under effective interest method.

d) No provision for current tax under the provision of Income Tax Act, 1961 is required in view of the loss under the provisions of the said Act.

At the balance sheet date, the Company has unused tax losses available for offset against future profits. However, no deferred tax asset has been recognised on the above due to the unpredictability of future profit streams.

e) Contingent Liabilities:

i) During the year, SEBI has passed an order directing the Company to pay interest @ 10% p.a. to 9 erstwhile NRI/OCB/FII shareholders of HZL for the delay in payment of consideration for shares of HZL acquired by the Company through the open offer.

The Company has preferred an appeal against the said order of SEBI as it contends that it is not liable to pay interest as the said delay was due to non-receipt of requisite approvals from Reserve Bank of India within the stipulated time. Further, the Company contends that obtaining such approval for and on behalf of the NRI/OCB/FII shareholders is not covered under the statutory approvals to be taken by the Company and there was no wilful default or neglect by the Company. Accordingly, the management has not considered any provision in the accounts for interest aggregating to Rs. 4.4 million.

(ii) The Company has received a show cause notice from SEBI stating that the basis of acceptance of equity shares of HZL in the open offer was not as per the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997. The Company has represented to SEBI that the said basis of acceptance was on a fair equitable basis and proportional acceptance was as per the said regulations.

f) The Company is yet to appoint a company secretary in accordance with Section 383A of the Companies Act, 1956.

g) Basic and Diluted Earnings per share is calculated as follows :

| | | March 31, 2004 | March 31, 2003 |
|---|---|---|---|
| (a) | Net Profit (Loss) for the period (in Rupees) | **(32,203,136)** | (232,493,647) |
| (b) | Weighted average number of Equity Shares Basic and Diluted | **2,550,000** | 2,550,000 |
| (c) | Nominal Value of Equity Shares (in Rupees) | **10** | 10 |

Potential equity shares issuable to the holder of optionally fully convertible debentures have not been considered for the above calculation as the inclusion would be anti-dilutive.

h) The comparative figures have been regrouped and re-arranged wherever necessary and the current year's figures (April 1, 2003 to March 31, 2004) are not comparable with the figures for the previous financial period (January 11, 2002 to March 31, 2003).

As per our attached report of even date

For **DELOITTE HASKINS & SELLS**, Chartered Accountants

For and on behalf of the Board

**C.R. RAJAGOPAL**
Partner
M. No. 23418

**RAMESH VENKAT**
Director

**TARUN JAIN**
Director

Place : Mumbai
Dated : June 14, 2004

## BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

**I Registration Details**

Registration No. 134530 State Code: 11

Balance Sheet Date: 31 03 2004 (Date Month Year)

**II Capital Raised during the period (Amount in Rs. Thousands)**

| Public Issue | Rights Issue |
|---|---|
| NIL | NIL |
| **Bonus Issue** | **Private Placement** |
| NIL | 25500 |

**III Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)**

| Total Liabilities | Total Assets |
|---|---|
| 113321 24 | 113321 24 |

**Source of Funds**

| Paid up Equity Share Capital (including share application money) | Paid up Preference Share Capital |
|---|---|
| 25500 | NIL |
| **Reserves & Surplus** | **Unsecured Loans** |
| NIL | 10986000 |
| **Unsecured Loans** | |
| 192630 | |

**Application of Funds**

| Net Fixed Assets | Investments |
|---|---|
| 231 | 11014972 |
| **Net Current Assets (-ve)** | **Miscellaneous Expense** |
| (759321) | 147 |
| **Accumulated Losses** | |
| 264709 | |

**IV Performance of Company (Amount in Rs.Thousands)**

| Turnover | Other Income |
|---|---|
| NIL | 155492 |
| **Total Expenditure** | |
| 187707 | |
| **Losses before Tax** | **Losses after Tax** |
| 32215 | 32215 |
| **Earning Per Share in Rs. Basic & diluted** | **Dividend Rate %** |
| (1263) | NIL |

**V Generic Names of Three Principal Products of Company**

Item Code No. (ITC Code) NA

Product Description: NA

Signature to Schedule 1 to 10

For and on behalf of the Board

**TARUN JAIN** Director

**RAMESH VENKAT** Director

Place : Mumbai

Dated : June 14, 2004



## STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATING TO SUBSIDIARY COMPANY

| | Hindustan Zinc Ltd. |
|---|---|
| 1 Financial year of the Subsidiary Company ended on | 31-03-2004 |
| 2 Shares of the Subsidiary Company held on the above date and extent of holding | |
| a) Equity Shares | 274,315,331 |
| b) Extent of Holding | 64.92% |
| 3 The net aggregate amount of the Subsidiaries profit/(loss) so far as it is concerned with the members of Sterlite Opportunities & Ventures Limited | |
| (i) Not dealt within the holding Company's accounts | |
| a) For the financial year of the Subsidiary (In Millions) | Rs. 2223.52 |
| b) For the previous financial years of the subsidiary/since it became the Holding Company's subsidiary (In Millions) | Rs. 600.36 |
| (ii) Dealt within the Holding Company's accounts | |
| a) For the financial year of the Subsidiary (In Millions) | Nil |
| b) For the previous financial years of the subsidiary/since it became the holding | Nil |
| 4 Material changes, if any, between the end of the financial year of the subsidiary Company and that of the Holding Company | NA |

# DIRECTORS' REPORT

**TO THE MEMBERS,**

The Directors have pleasure in presenting the 38th Annual Report together with the statement of Audited Accounts for the financial year ended 31st March, 2004.

**FINANCIAL RESULTS**

(Rs. Million)

| Year ended 31st March | 2004 | 2003 |
|---|---|---|
| Income from operations | **20,790.13** | 16,087.22 |
| Profit before interest, depreciation, tax and exceptional items | **8,681.24** | 3,004.26 |
| Less: Interest | **7.45** | 2.98 |
| Gross Profit | **8,673.79** | 3,001.28 |
| Less: Depreciation | **717.59** | 707.63 |
| Less: Exceptional items | **2,108.87** | 0.00 |
| Taxation | **1,801.45** | 872.12 |
| Profit for the year | **4,045.88** | 1,421.53 |
| Add: Balance brought forward from previous year | **619.67** | 579.48 |
| Amount available for appropriation | **4,665.55** | 2,001.01 |
| **Appropriation:** | | |
| General Reserve | **3,000.00** | 1,000.00 |
| Proposed dividend on equity shares * | **667.34** | 381.34 |
| Balance carried forward to next year | **998.21** | 619.67 |

** including corporate tax on dividend*

**FINANCIAL REVIEW**

During the year under review, your Company achieved a gross turnover of Rs. 20,790.13 million as compared to Rs. 16,087.22 million during the last year. The Company achieved gross profit of Rs. 8,673.79 million and net profit after tax of Rs. 4,045.88 million for the year as against Rs. 3001.28 million and Rs. 1,421.53 million respectively in the previous year. Your Company's profitability improved on account of higher production, higher sales volume and realisation and cost reduction achieved in the operational and other areas.

Zinc and lead prices started to improve during the year under review. The average zinc LME price for the year 2003-04 was US$ 899 PMT as against US$ 777 PMT during the year 2002-03. The average lead LME price was US$ 611 PMT against US$ 445 PMT during the last fiscal year. The increase in LME prices contributed towards higher sales realisation.

**DIVIDEND**

The Board of Directors is pleased to recommend a dividend of 14% on the paid up equity share capital of the Company. The amount of equity dividend outgo (including tax on dividend) will be Rs. 667.34 million as against Rs. 381.34 million for the previous year.

**SHARES OF THE COMPANY**

During the year under report, Sterlite Opportunities and Ventures Limited (SOVL) acquired additional shares to the extent of 18.92% of the paid up capital from Government of India (GoI) in exercise of the "call option" clause in the Shareholders Agreement between GoI and SOVL. With the above additional acquisition, SOVL's stake in the Company has gone up to 64.92%. The GoI's stake in the company now stands at 29.54%.

**OPERATIONS OVERVIEW**

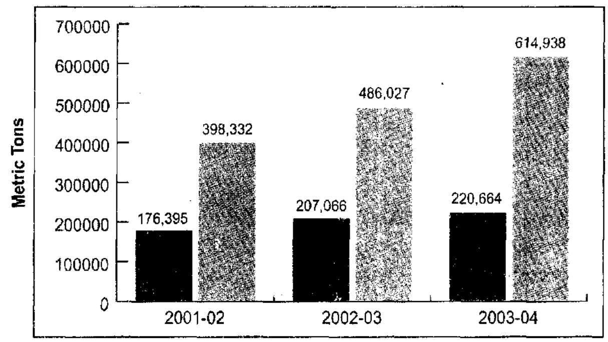
Your Company continued to maintain its leadership position in the domestic zinc industry with a record sale of 259130 tonnes of zinc metal, which is about 72% of the domestic requirement. Your Company also exported 140111 tonnes of zinc concentrate, 10293 tonnes of lead concentrate and 5600 tonnes of PW Zinc metal during the year. The foreign exchange earning therefrom was about Rs. 2,216 million.

The production of zinc metal and zinc concentrate during the year increased by about 28.79% and 26.52% respectively. To meet domestic demand of Zinc metal, your Company undertook conversion of Zinc concentrate to zinc metal on 'tolling' basis and 40562 tonnes of tolled zinc metal was received during the year 2003-04. Your Company discontinued Tundoo Lead Smelter operation from May 2003, being economically unviable.

The improvement in production performance was accomplished on account of a number of debottlenecking measures undertaken by your Company in all the units. This also resulted in improving recovery efficiencies and other operational parameters besides cost reduction. Reopening of Baroi lead-zinc mine and commissioning of 6 MW DG set at Zawar were some of the highlights of the year.

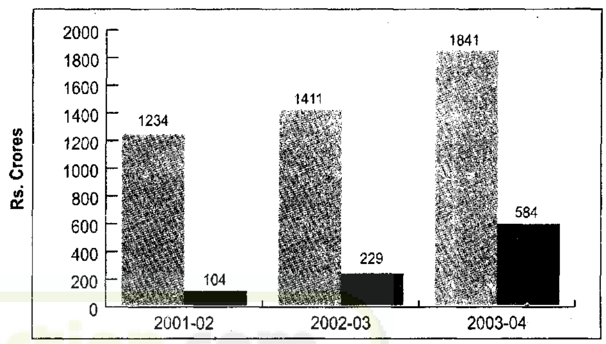
The charts given below depict physical and financial performance indicators of HZL for the last three years.

**PRODUCTION**




■ Refined Zinc ▒ Zn Concentrate

**FINANCIAL PERFORMANCE**




▒ Sales Turnover ■ PBT

LME (USD/Ton) 830 777 899

All the units of your Company obtained accreditation of ISO 9001 QMS, ISO 14001 EMS and OHSAS 18001 certifications, except OHSAS certification to Vizag Smelter, which is likely to be accredited by July 2004.

**NEW INITIATIVES**

During the year under review, your Company kicked off implementation of Total Productive Maintenance (TPM) System in two of the major units of your Company viz. Chanderiya Lead Zinc Smelter and Rampura Agucha Mine.

SAP R/3, 4.7 version has been successfully implemented by your Company in various modules viz. Finance, Accounting, Costing, Materials Management, Sales & Distribution, Plant Maintenance, Production Planning and Quality Management at two of its major units – Rampura Agucha Mine and Chanderiya Lead Zinc Smelter in November, 2003. It was subsequently successfully rolled out to other units. All the units are now connected through VSAT/leased lines and Local Area Networks. Presently SAP is live at all the locations of your Company.

**PROJECT OVERVIEW**

**Expansion Projects**

In line with our vision to become World Class Player in Zinc Industry, your Company's Board of Directors had approved a Brown-Field Expansion Plan at Chanderiya for installing 170000 MT Zinc Smelter and a Captive Power Plant of 154 MW, with matching expansion at Rampura Agucha Mine and beneficiation plant. The status of implementation of project is in line with the plans drawn by the company and completion of project is expected in the last quarter 2004-05.

Ordering has been almost completed as on 31st May, 2004.

**Mansi Wakal Project**

The Rs. 600 million Mansi Wakal Stage-I Project has been jointly funded by Government of Rajasthan and the Company in a 70:30 ratio. The construction of dam has started and is expected to be completed by June 2004. Rs. 354.5 million has been spent up to March 2004 and about 91% work of dam has been completed. Tenders for water conveyance system from dam are under techno-commercial examination.

**AWARDS AND PRIZES**

Your Company received the following awards/prizes during the year:

i) Vizag Zinc smelter won National Award for best HRD practices for 2002-03 from Indian Society for Training & Development.
ii) Chanderiya Lead Zinc Smelter has been awarded National Safety Award 2003 by the British Safety Council, London.
iii) Rampura Agucha Mine has been awarded certificate of Honour at the 14th Mines Environment & Mineral Conservation Week 2003-04, under the aegis of Indian Bureau of Mines, Ajmer region in the field of "Merit of Overall Excellence".
iv) RCCI (Rajasthan Chamber of Commerce & Industry) Excellence Award for Companies in Rajasthan in recognition of Good Corporate Governance Practices and Disclosures in Annual Report for the year 2002-03.
v) First prize in Air Pollution and Management of sub-grade mineral won by RD Mine at 4th Mines, Environment and Mineral Conservation week 2003 for inter-mines competition.
vi) R.D. Mine also bagged overall award in mechanised underground mines and other prizes at 27th Regional Mines Safety Competition at Lakshmi Cement, Sirohi.
vii) RD Mine also won Fresh Air Trophy at All India Rescue Competition 2003-04 at Singarani Collieries, Andhra Pradesh.

**FUTURE OUTLOOK**

With the global economy showing a recovering trend and improvement in the economies of major developed countries, zinc metal demand is expected to grow at 4-5% per annum during the next 2-3 years. Significant improvement in the country's economy and industrial growth are expected to enhance growth of zinc consumption in the country at 12 to 14% per annum. This would be mainly due to strong demand from the major zinc consuming sector viz. galvanizing, which accounts for over 70% of total consumption. Further, export potential for HR steel coils is also likely to enhance zinc consumption.

The Indian lead industry is estimated to grow at a pace of 8% per annum. Lead acid storage batteries would continue to be the driving force for lead consumption both in India and world over. The other main consuming sectors in the country where the growth potential is envisaged are automotive industry, UPS, invertors etc.

In consonance with the expected growth in zinc and lead demand in the country, your Company is expanding its zinc and lead production capacities by 170,000 tonnes and 50,000 tonnes per annum respectively.

Market development initiatives are being aggressively undertaken by your Company to promote use of zinc in various newer applications such as construction (galvanized re-bars), infrastructure (air-ports, ports, LNG terminals), road signage and crash barriers.

**DEPOSITORY SYSTEM**

During the year, about 70.12% of the shares of your Company were dematerialised. The Securities and Exchange Board of India (SEBI) has made trading in the Company's shares in dematerialised form mandatory.

**DIRECTORS**

From the last year's report to this report, the following changes have occurred in the Board of Directors of your Company:

Shri S.P. Gupta, ceased to be a Director w.e.f. 30th June, 2003 and in his place Shri Prashant Mehta, Joint Secretary, Government of India, Ministry of Mines has been nominated as Director on the Board of your Company by the Government of India.

Shri C.A. Sundaram ceased to be a Director w.e.f. 14th June, 2004 consequent to his resignation from the Board due to his professional commitment.

The Board of Directors places on record its appreciation for the valuable guidance and services rendered by Shri S.P. Gupta and Shri C.A. Sundaram during their tenure.

**CORPORATE GOVERNANCE**

Pursuant to Clause 49 of the listing agreement with the Stock Exchanges, Management Discussion and Analysis, Corporate Governance and Auditors' Certificate regarding compliance of Corporate Governance Guidelines are made part of the Annual Report.

**DIRECTORS' RESPONSIBILITY STATEMENT**

As required under Section 217(2AA) of the Companies Act, 1956, the Directors hereby confirm that:

(i) in the preparation of Annual Accounts, applicable accounting standards had been followed along with proper explanation relating to material departures;
(ii) the Directors had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;
(iii) the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for detecting and preventing fraud and other irregularities;
(iv) the Directors had prepared the Annual Accounts on a "going concern" basis.

**AUDITORS**

Your Company had appointed M/s. Deloitte Haskins & Sells, Chartered Accountants, as Statutory Auditors of the company for the conduct of audit of accounts for the year ended 31st March, 2004. Their term of appointment expires at the conclusion of the forthcoming 38th AGM. Your Directors have proposed them for reappointment at the forthcoming 38th AGM.

**PARTICULARS OF TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO**

As required under Section 217(1)(e) of the Companies Act, 1956 and rules made therein, the particulars of technology absorption and foreign exchange earnings and outgo are given in Annexure, which is attached hereto and forms part of the Directors' Report.

**PARTICULARS OF EMPLOYEES**

As required by the provisions of Sub-Section (2A) of Section 217 of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975 as amended, the information on particulars of the employees is "NIL" for the year.

**ACKNOWLEDGEMENTS**

The Board of Directors place on record their sincere appreciation of the support and co-operation extended by the employees at all levels and also various employees' unions towards the success of the Company. Directors are also thankful to the Central Government and State Governments of Rajasthan, Andhra Pradesh and Jharkhand and to the Bankers, Auditors, and Suppliers for their co-operation. The Directors would also like to acknowledge the continued patronage and support by the valued and esteemed customers and support of the Company's shareholders.

For and on behalf of the Board of Directors

Place : Mumbai
Date : June 14, 2004

**(C.D. ARHA)**
*Chairman*

## ANNEXURE 1

Particulars of technology absorption and foreign exchange earnings and outgo as per Section 217(1)(e) of the Companies Act, 1956 and the rules made therein and forming part of the Directors' Report for the year ended 31st March, 2004.

A) CONSERVATION OF ENERGY

Energy conservaition continues to be a key focus area in the Company and various energy conservation steps were taken during the year in various operating units. Following measures are being continued towards energy conservation resulting in saving in electrical and thermal energy:

1. Use of PTFE insulators in the cell house to reduce specific power consumption in zinc electrolysis operation;
2. Improvement in process parameters and conditions, continuous automatic blow down system for waste heat boiler drum;
3. Implementation of condensate water recycling system to auxiliary boiler and installation of HDPE lines to cells in cell house in place of lead lining;
4. Arresting compressed air leakage in underground mines for reducing power consumption;
5. Improvement of power factor by installing capacitor bank and optimisation of contract demand, through load and energy management;
6. Installation of variable speed drives in different fans and optimising of motor sizing of equipment like cooling tower, pump house and ventilation fans;
7. Use of high velocity impulse burner in zinc refining column have given saving in LPG consumption.

B) TECHNOLOGY ABSORPTION

**a) Specific areas in which R&D is carried out by Company**

1. Recovery of metals from polymetalic nodules (PMN) of Indian Ocean.
2. Recovery of precious metals (gold) from ores.
3. Evaluation of Flotation Reagents (Nigrosine) for depression of graphite in clean concentrates.
4. Evaluation of specialty flotation reagents for improvement in grade/recovery in the concentrates.

**b) Benefits derived as a result of the above R&D**

1. The final flow sheet developed from Pilot Plant studies were optimised. All process and engineering data required for techno-economic analysis and design of a commercial plant based on process flowsheet developed by Regional Research Laboratory, Bhubaneswar have been collected.
2. Expertise was developed in-house for extraction of precious metal e.g. gold from ores.
3. Reduction in Purchase cost of Nigrosine through reduction in consumption norms, expansion of supplier base/ alternative reagent, improvement in reagent quality etc.
4. Encouraging results visible with usage of Di-thio Phosphate for zinc recovery improvement at Rampura Agucha Mine.

**c) Future Plan on R&D**

1. A decision has been taken by Department of Ocean Development, GoI for validation of process route developed by your company in the Pilot Plant.
2. The process developed at CRDL will be validated by continuous treatment of gold – loaded carbon. The final process package will be prepared for future applications within the group companies.
3. Continuous improvement in in-house techno-commercial base to increase competition in supply of reagents by vendors.
4. Evaluation studies to be continued for possible use at other beneficiation plants within the company.

## FORM A

**FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY**

| | Particulars | Unit | Year ended 31/3/2004 | Year ended 31/3/2003 |
|---|---|---|---|---|
| A) | Electricity, Power Generation & Fuel consumption | | | |
| | Purchase Units | Million kwh | **490.30** | 628.75 |
| | Total Amount | Rs. million | **1,617.17** | 2,260.50 |
| | Average rate of purchasing | Rs./kwh | **3.30** | 3.60 |
| | Own Generation Units | Million kwh | **353.39** | 129.06 |
| | Units generated per unit of fuel (LSHS/FO/HSD) | kwh/kg | **4.45** | 4.43 |
| | Average cost of generation | Rs./kwh | **2.92** | 4.02 |
| | Fuel consumption for power generation | | | |
| | LDO | Million ltr. | **0.00** | 21.95 |
| | LSHS/FO | MT | **78,490.17** | 8,545.00 |
| | HSD | KL | **761.10** | 0.00 |
| | Total Amount | Rs. million | **890.99** | 384.4 |
| | Average cost per Ltr. | Rs./Ltr. | **11.26** | 12.21 |
| B) | Fuel consumption for Metal Production: | | | |
| | (a) L.P.G./Propane | | | |
| | Quantity | Million kg | **7.41** | 6.42 |
| | Total Amount | Rs. million | **161.22** | 121.40 |
| | Average cost per Kg. | Rs./Kg | **21.75** | 18.91 |
| | (b) L.D.O./LSHS/FO | | | |
| | Quantity | Million ltrs. | **13.20** | 13.13 |
| | Total Amount | Rs. million | **196.82** | 188.58 |
| | Average cost per Ltr. | Rs./Ltr. | **14.91** | 14.36 |
| | (c) Met. Coke | | | |
| | Quantity | MT | **99,870.21** | 88,896.00 |
| | Total Amount | Rs. million | **853.28** | 663.79 |
| | Average cost per MT | Rs./MT | **8,543.87** | 7,467.00 |

# MANAGEMENT DISCUSSION AND ANALYSIS

## OVERVIEW

The Company's core competence is in Lead-Zinc metals and concentrates. While the Company enjoys a premier position in zinc, it was relatively a marginal player in lead business.

During the financial year 2003-04, the gross turnover of the Company was Rs. 20790 million, the product wise break up is as under:

| Description | Rs./Million | % |
|---|---|---|
| Zinc Ingot | 16517 | 79.45 |
| Lead Ingot | 1082 | 5.20 |
| Silver | 303 | 1.46 |
| Sulphuric Acid | 556 | 2.67 |
| Concentrate | 2252 | 10.83 |
| Others (including internal consumption) | 80 | 0.39 |
| **TOTAL** | **20790** | **100.00** |

## BUSINESS ANALYSIS

### ZINC MARKET

#### World Scenario

Due to the stable economic conditions witnessed during 2003-04 particularly in the United States, global economy recovered significantly. This resulted in improvement in base metals scenario from the sluggish conditions prevailing in the earlier year. Further, China's reduction of export rebate and increased demand resulted in LME price recovery to annual average of USD 899 PMT.

The addition of new capacities in the Asian and African countries and shut down of plants in the other regions kept the demand/supply scenario balanced. The world output of refined zinc for the year 2003 was about 9.85 million tonnes and it is estimated that this will increase by 2.5% to 10.10 million tonnes in the year 2004.

#### Domestic Scenario

Steel galvanizing continued to occupy the prime place in the market for the zinc industry and accounted for almost 75% of total zinc usage. The zinc consumption in the country reached 358,000 tonnes in the year 2003-04 from 300,000 tonnes in the year 2002-03. Strong demand from the sectors such as Galvanizing, Die Casting, Battery and Chemicals has helped the demand for zinc to grow at a faster rate. It is estimated that the demand will reach 400,000 tonnes in the year 2004 on the back of continued infrastructure development such as, roads, irrigation, construction, oil & gas.

### LEAD MARKET

#### World Scenario

Lead market witnessed tight supply conditions due to a surge in Chinese demand and rapid growth in the automobile industry coupled with depletion in stocks at LME warehouses across the world. This pushed lead prices to higher average LME level of USD 611 PMT during the year.

Global consumption of refined Lead increased by 2.22% to 6.70 million tonnes during 2003 and is estimated to be 6.81 million tonnes in 2004, up by 1.6% over 2003.

#### Domestic Scenario

Automotive industry was the driving force for the lead-acid batteries demand in India, which accounted for 75% market share followed by chemicals, pigments and paints. The demand for lead is expected to grow in near future due to increased demand from the Automobile sector, invertors etc.

### HZL's OPERATION

The Company achieved a record zinc metal output of 261226 MT during the year 2003-04, compared to 202828 MT in the previous year, a growth of 28.79%. Lead metal production during the year at 25089 MT was 36.18% lower over the preceding year due to closure of the economically unviable Tundoo lead smelter. HZL achieved new peak in the production of sulphuric acid at 371422 MT, a 12% increase over the last year.

Your Company continued to maintain its leadership position in the domestic zinc industry with a record sale of 259130 tonnes of zinc metal, which is about 72% of the domestic requirement. Your Company also exported 140111 tonnes of zinc concentrate, 10293 tonnes of lead concentrate and 5600 tonnes of PW Zinc metal during the year. The foreign exchange earning therefrom was about Rs. 2,216 million.

The production of zinc metal and zinc concentrate during the year increased by about 28.79% and 26.52% respectively. To meet domestic demand of Zinc metal, your Company resorted to conversion of Zinc concentrate to zinc metal on 'tolling' basis and 40562 tonnes of tolled zinc metal was received during the year 2003-04.

The Company discontinued smelting operations of its Tundoo Lead Smelter as the operations of the smelter had become economically unviable on account of increased cost of production due to obsolete plant and machinery.

## INTERNAL CONTROL SYSTEMS

The Company has well-defined internal control systems with respect to different operational and managerial functions. Regular updation/ modification of systems and procedure manuals are carried out keeping in view changes in industrial and business scenarios. Total compliance with laid down systems is ensured along with integration of financial data with the controlling systems. Audit Committee meetings are convened regularly and attended by the Head of Internal Audit.

Audit is conducted in two-three phases during the year covering various areas of business activities like purchase and stores, marketing, personnel, production, maintenance works, cost and budget, finance etc. Important audit observations are reported to the Audit Committee and their directions are forwarded to the concerned units/departments for compliance.

## HUMAN RESOURCES

In HZL, Human resources are considered to be the most vital of all assets. As a policy, the Company believes in recruiting the best as per well established standards, nurturing them through growth and development through a system of recognition, rewards and opportunities for lateral as well as vertical growth, making available forums for collective problem solving and participation in organization-wise improvement initiatives through team work.

Basic managerial processes are being streamlined in order to facilitate a bottom-up approach to determination of targets as part of the Business Plan for the year 2004-05. Structured and periodical review processes at the units are in place so that in a self-sustaining manner, autonomous managerial teams at the units will critically review their own performance against set targets for the month, link performance of individuals and groups to rewards and recognition, provide for initiative and interactive processes by which dialogue takes place between the various layers in the organization, and continuously communicate performance requirements and management principles and practices to various teams and working groups in the organization.

The Company lays considerable emphasis on training and development, which basically addresses three kinds of organizational requirements –

1) Need based training at building job related skills and competency among employees.
2) Specialized and technical training related to technology, acquisition of skills and knowledge in specialized areas.
3) Managerial and leadership training aimed at enhancing the managerial depth in the organization.

On the industrial relations front the Company has a long and established tradition of cordial relations with the Federation/Unions representing the cause of the workmen. Through a participative management approach, HZL will continue to uphold the traditions of mutually respecting the rights and responsibilities of each side and affirming the Cômpany's belief and faith in the bilateral process. At the end of the reporting year there were 6055 employees.

An innovative employee learning concept christened as "Continuous Learning Environment" (CLE) has been developed and implemented in the Vizag Zinc Smelter. Through this process grass-root level employees started feeling their jobs simpler and enjoyable by sharing their knowledge and skill with their fellow employees. This process has been recognized as an innovative HRD practice at national level and awarded by Indian Society for Training & Development.

## ENVIRONMENT, HEALTH & SAFETY MANAGEMENT

Hindustan Zinc Limited strives for continuous improvements, especially in the Environment, Health and Safety (EHS) performance of its operations. The management of health and safety ("H&S") is a core activity for the Company. By its nature, the metal and mining industry brings with it H&S risks and the Company ensures that these risks are monitored and mitigated through a variety of programmes and training within each of the Businesses. H&S performance is reported and discussed during internal meetings as well as at Board meetings of the Company. Each site has H&S managers and committees. All the units of HZL have achieved certification by international occupational H&S management system OHSAS18001, except Vizag smelter which is expected to achieve the same during the year 2004-05. This standard requires H&S risk assessments to be undertaken and action programmes to be developed. Maintaining the certifications requires frequent independent monitoring through compliance audits.

Regular safety reviews are undertaken both internally and by external advisers, as a result of which action programmes are developed.

## WATER CONSERVATION AND RECYCLING

In view of severe scarcity of water in Rajasthan where most of the operations are located, highest priority was accorded to water conservation and recycling measures. Zero discharge of effluents was continued as a practice at all Rajasthan based Units. At Rampura Agucha Mines, desliming hydrocyclones were introduced in the tailing circuit to increase the recovery of water from the tailings. This has resulted in reducing the fresh water consumption to less than 1M3 per ton of ore treated. Similarly, at other mining and smelting Units, effective water conservation measures have resulted in reducing the fresh water consumption significantly. The sewage treatment plants at Debari and Chanderiya Smelters were continuously operated and the treated effluents were reutilized in the smelter and for plantation in the colony respectively.

Due to these efforts, your company could sustain and even increase the operations of the mines and smelters despite the severe water shortage in Rajasthan.

## CORPORATE RESPONSIBILITY FOR ENVIRONMENTAL PROTECTION (CREP)

Your Company has entered into a Charter for Corporate Responsibility for Environmental Protection (CREP) with the Ministry of Environment & Forests (MoEF), Govt. of India, Central Pollution Control Board (CPCB) and the respective State Pollution Control Boards (SPCBs) for achieving

a quantum jump in its environmental performance in the coming 2-3 years which will be taking the Company beyond the current environmental standards. The action points relating to the three smelters include the following :

1. **Halving $SO_2$ emissions (2 kg / tonne of $H_2SO_4$ produced instead of 4 Kg/tonne of $H_2SO_4$) by December 2006.** This has already been completed for Vizag Smelter and progressing well for Chanderiya and Debari Smelters.
2. **$SO_2$ Emissions monitoring – Installation/proper operation, maintenance and calibration of continuous $SO_2$ monitoring system by 30th September, 2003.** This has been achieved at all three smelters.
3. **Solid and Hazardous Waste disposal: Construction of secured landfill for disposal of hazardous waste such as Jarosite cake, ETP cake and spent catalyst as per CPCB guidelines by September, 2004.** Secure landfills were constructed at Debari and Vizag Smelters. Spent catalyst is being disposed off to common landfills.
4. **Wastewater treatment and disposal: To achieve Zero discharge through 100% recycle/reuse of treated wastewater by March, 2005.** Zero discharge already implemented at Debari and Chanderiya Smelters and progressing well at Vizag Smelter.
5. **Housekeeping : To reduce the generation of fugitive dust from vehicle movement and improve overall housekeeping - by 31st December, 2003.** Good housekeeping is being maintained in all the smelters. Some additional measures were identified and implemented as a part of the action plan. Further improvements have also been identified and being implemented at all the smelters as a continuing improvement.
6. **Greenbelt : To develop canopy based green belt around the periphery of plant and township as per CPCB guidelines. Good greenbelts exist at all the smelters.** Additional plantation of 61 hectares area has been planned at Chanderiya in vacant land. No vacant land is available at Debari and Vizag for plantation. It has been planned to liquidate old stockpiled waste material for recovery of metals and create greenbelts on the area so vacated over the next six to seven years. This will create good additional greenbelts in addition to improving the overall housekeeping standards also.

A pyrometallurgical residue treatment facility is under construction at Debari for treating the stockpiled waste material for recovery of zinc and lead.

**ENVIRONMENT MANAGEMENT SYSTEMS**

In order to strengthen the traditional system of environmental management and also to adopt internationally recognized management systems, your Company has got all its operations certified as per the requirements of ISO 14001 Environment Management System during the report year. Based on the detailed exercise during this process, a number of management plans have been adopted at individual Units for achieving at-source reduction in pollution and improving the environmental performance in general.

**AWARDS AND RECOGNITIONS**

Rajpura Dariba, Zawar and Rampura Agucha Mines participated in the Regional Mine Environment and Mineral Conservation Week (MEMCW) celebrations and won various awards for environmental excellence.

**COMMUNITY DEVELOPMENT**

Your company has undertaken various drought relief works in the villages nearby its units at an estimated expenditure of Rs. 50 lacs towards fodder camps, cattle camps, supply of drinking water and deepening of wells/tube wells etc. Further, your Company, in association with the district administration and Seva Mandir (an NGO), has undertaken drought relief works in 36 tribal villages of Udaipur district at a cost of 3 million rupees, in addition to 2 million rupees spent on strengthening of local self-government in the tribal villages of southern Rajasthan with the help of Seva Mandir.

Your Company is contributing 180 million rupees towards 30% cost of Mansi Wakal Project for providing potable water to the citizens of Udaipur. A causeway has also been constructed near Chanderiya Lead-Zinc Smelter, Chittorgarh connecting Nagari & Bilia Villages at a cost of Rs. 25 lacs.

**EDUCATION**

To inculcate and enhance academic excellence the Company continues to extend full support to the educational institutions being run in its various units. A sum of Rs. 218 lacs has been spent on educational activities, including distribution of uniforms, books, stationery, teaching aids, etc. Scholarships are also being granted to meritorious wards of employees pursuing professional and technical courses like Medicine, Engineering, MBA, MCA, etc.

**HEALTH AND HYGIENE**

The Company continued to pay due attention to health and hygiene. The dispensaries and hospitals located in the constituent units cater to the health needs of employees and their children.

**SPORTS AND CULTURAL ACTIVITIES**

The prestigious All India Hind Zinc Mohan Kumaramangalam Football Tournament was organized with reputed teams participating from all over the country. In addition, other functions like Independence Day, Republic Day, etc. were organized in the colony/clubs/recreation centers.

## CORPORATE GOVERNANCE REPORT

**CORPORATE GOVERNANCE – PHILOSOPHY**

The Company has committed to conduct its affairs in a fair and transparent manner and to enhance shareholder value while fully complying with applicable rules and regulations.

**BOARD OF DIRECTORS**

The Board of Directors consist of 11 Directors represented by 5 nominees including the Chairman from Government of India and 6 nominees including Managing Director from the Strategic Partner viz. Sterlite Opportunities and Ventures Limited.

The constitution of Board of Directors is in line with the requirement of constituting a Board as per clause 49 of Listing Agreement with Stock Exchanges pertaining to Corporate Governance Guidelines of SEBI.

The Board of Directors meets atleast once in a quarter to review the Company's performance and financial results as per requirement of Companies Act, 1956 and more often, if considered necessary, to transact any other business.

No Director is a member of more than ten committees or Chairman of more than five committees in other Companies in which they are Directors.

The composition of Board of Directors is as follows:

| Name of Director | Category | No. of Directorship in other Companies | No. of Committees Membership held in other Companies |
|---|---|---|---|
| Shri C.D. Arha | Chairman | NIL | NIL |
| $ Shri K.K. Kaura* | Managing Director# 1 | NIL | |
| Shri Prashant Mehta | Director | 1 | NIL |
| Dr. Sutanu Behuria | Director | 5 | 5 |
| Shri A.C. Wadhawan | Director | 5 | 6 |
| Shri N.K. Shukla | Director | NIL | NIL |
| $ Shri Anil Agarwal* | Director** | 12 | NIL |
| $ Shri Navin Agarwal* | Director | 12 | 5 |
| $ Shri Tarun Jain | Director | 7 | 3 |
| $ Shri C.V. Krishnan | Director | 1 | 1 |
| $ Shri C.A. Sundaram | Director | NIL | NIL |

* Not considered as Independent Director.

\# The only Executive Director.

$ Nominees of Strategic Partner i.e. Sterlite Opportunities and Ventures Ltd. (SOVL).

** Including 5 foreign companies.

During the year 2003-04, six Board Meetings were held respectively on 16.4.2003, 25.4.2003, 16.6.2003, 26.7.2003, 10.10.2003 and 28.1.2004. Attendance of Directors at Board Meetings and at the last Annual General Meeting:

| Directors | Number of Board Meetings attended | Last AGM attendance |
|---|---|---|
| Dr. A.K. Kundra | 2[1] | — |
| Shri C.D. Arha | 4[2] | Yes |
| Shri K.K. Kaura | 6 | Yes |
| Shri S.P. Gupta | 2[3] | — |
| Shri Prashant Mehta | 3[4] | — |
| Dr. Sutanu Behuria | 1 | — |
| Shri A.C. Wadhawan | 5 | — |
| Shri N.K. Shukla | 4 | — |
| Shri Anil Agarwal | — | — |
| Shri Navin Agarwal | 5 | — |
| Shri Tarun Jain | 5 | — |
| Shri C.V. Krishnan | 4 | — |
| Shri C.A. Sundaram | 2 | — |

1. Ceased to be a Director as on 30th April, 2003.
2. Appointed as a Director on 1st May, 2003.
3. Ceased to be a Director as on 30th June, 2003.
4. Appointed as a Director on 30th June, 2003.

**AUDIT COMMITTEE**

During the report year, the Audit Committee was reconstituted on 26th July, 2003 with the following members:

1. Shri Prashant Mehta, Chairman
2. Shri Tarun Jain, Member
3. Shri C.V. Krishnan, Member

The broad terms of reference of the Audit Committee include overseeing of the Company's financial reporting process, recommending the appointment and removal of external auditors, reviewing with management the annual financial statements, financial and risk management policies, adequacy of internal control systems and internal audit functions.

During the year 2003-04, 5 Audit Committee Meetings were held and attendance of Directors are given below :

| Year | Directors | Number of Meeting(s) attended |
|---|---|---|
| 2003-04 | Shri S.P. Gupta, Chairman | 1[1] |
| -do- | Shri Prashant Mehta, Chairman | 2[2] |
| -do- | Shri Tarun Jain, Member | 5 |
| -do- | Shri C.V. Krishnan, Member | 4 |

1. Ceased to be a Director w.e.f. 30th June, 2003.
2. Appointed as a Director w.e.f. 30th June, 2003.

All are Independent Directors.

Shri. C. Sankaran, Company Secretary & GM acts as the Secretary to the Audit Committee.

### REMUNERATION COMMITTEE

None of the Directors draw any remuneration other than the sitting fee, which is approved by the Board. Hence, no Remuneration Committee has been formed.

As approved by the Board, the remuneration of Mr. K.K. Kaura, Managing Director is reimbursed by the Company to Sterlite Industries (India) Limited. However, the same is subject to the Shareholders' approval at the ensuing Annual General Meeting.

**Sitting fee paid to Directors:**

| Directors | Sitting Fee (Rs.) |
|---|---|
| Shri Anil Agarwal | — |
| Shri Navin Agarwal | 25000 |
| Shri Tarun Jain | 65000 |
| Shri C.V. Krishnan | 55000 |
| Shri C.A. Sundaram | 10000 |
| Shri A.C. Wadhawan | 25000 |

### SHAREHOLDERS'/INVESTORS' GRIEVANCE COMMITTEE

During the report year, the Board Shareholders'/Investors' Grievance Committee was reconstituted on 26th July, 2003 with the following members:

1. Shri Prashant Mehta, Chairman
2. Shri K.K. Kaura, Member
3. Shri Tarun Jain, Member

The scope of the Committee is to attend to investors' complaints pertaining to transfers/transmission of shares, non-receipt of dividend and any other related matters.

During the year 2003-04, 2 Shareholders'/Investors' Grievance Committee meetings were held and the attendance of the Directors with regard to the same are given below:

| Year | Directors | Number of Meeting(s) attended |
|---|---|---|
| 2003-04 | Shri Prashant Mehta, Chairman | 2 |
| -do- | Shri K.K. Kaura, Member | 2 |
| -do- | Shri Tarun Jain, Member | 1 |

### STATUS OF COMPLAINTS FOR THE PERIOD 1ST APRIL 2003 TO 31ST MARCH 2004

| | | |
|---|---|---|
| 1. | Number of complaints received from the investors comprising of Non-receipt of Dividend Warrants, Non-receipt of securities sent for transfer and transmission, complaints received from SEBI etc. | 73 |
| 2. | Number of complaints resolved | 73 |
| 3. | Number of complaints not resolved to the satisfaction of the investors as at 31st March, 2004 | NIL |
| 4. | Complaints Pending as at 31st March, 2004 | NIL |
| 5. | Number of Share Transfers pending for approval as at 31st March, 2004 | NIL |

### SHARE TRANSFER COMMITTEE

The composition of Board Share Transfer Committee which has been continuing during the report year, is as follows :

1. Shri K.K. Kaura, Chairman
2. Shri Tarun Jain, Member
3. Shri C.V. Krishnan, Member

During the year 2003-04, 3 Board Share Transfer Committee meetings were held and the attendance of the Directors with regard to the same are given below:

| Year | Directors | Number of Meeting(s) attended |
|---|---|---|
| 2003-04 | Shri K.K. Kaura | 3 |
| -do- | Shri Tarun Jain | 3 |
| -do- | Shri C.V. Krishnan | 3 |

### COMPLIANCE OFFICER

Shri C. Sankaran
Company Secretary & General Manager
Hindustan Zinc Limited
Yashad Bhawan
Udaipur-313 004 (Rajasthan)

### GENERAL BODY MEETINGS

**Details of General Body Meetings**

| Date | AGM | Location | Time |
|---|---|---|---|
| 21st July, 2001 | 35th AGM | Yashad Bhawan Udaipur, Rajasthan | 4.00 P.M. |
| 7th September, 2002 | 36th AGM | Same as above | 4.00 P.M. |
| 5th September, 2003 | 37th AGM | Same as above | 4.00 P.M. |

An Ordinary Resolution to be passed by Shareholders by Postal Ballot at the forthcoming 38th Annual General Meeting has been proposed.

### DISCLOSURES

(i) The Company does not have any material transactions with related parties that may have a potential conflict with the interest of the Company.

(ii) No penalties or strictures have been imposed on the Company by Stock Exchanges or SEBI or any statutory authority on any matter related to Capital Markets, during last three years.

### MEANS OF COMMUNICATION

The annual, half-yearly and quarterly results are posted by the Company on its Website www.hzlindia.com which also discloses official news releases. The financial results as required in Clause 41 of the Listing Agreement are normally published in the 'Business Standard'/'Financial Express' and 'Dainik Bhaskar'(Rajasthan based).

Generally the shareholders information as per requirement of corporate governance is also posted at Company's website for the information of all.

The Management discussion and analysis report is attached and forms part of the Annual Report.

### GENERAL SHAREHOLDER INFORMATION

**1. Annual General Meeting :**

Day, Date and Time : Thursday, 30th September, 2004, at 4PM
Venue : Yashad Bhawan, Udaipur

**2. Profile of Directors retiring by rotation/eligible for reappointment:**

Information in cases of appointment or reappointment of Directors as required under Listing Agreement is given as under:

1. Shri A.C. Wadhawan:

Shri A.C. Wadhawan is a graduate in Science and first class B.Tech. (Hons) in Metallurgical Engineering from IIT, Kharagpur. He is an eminent metallurgist who has made significant contribution in the field of ferrous and non-ferrous industries. He has more than three decades of professional career, having held various technical and managerial positions. In recognition of his professional excellence he has received prestigious awards like BRALCO Gold Medal, Vikas Shree, Bharat Udyog, Rajiv Gandhi Excellence Award and Tata Gold Medal of Indian Institute of Metals. He was the Chairman-Managing Director of Hindustan Zinc Limited from 1985 to 1995.

Shri Wadhawan is also on the Board of the following companies:

| | Name of the Company/ Body Corporate/Firms | Nature of Interest | Committee Member |
|---|---|---|---|
| 1. | Transweigh (India) Limited, Mumbai | Chairman | Chairman-Remuneration Committee |
| 2. | Reliance Cellulose Products Ltd., Hyderabad | Director | |
| 3. | Jindal Polyfilms Limited, New Delhi | Director | Chairman-Audit Committee |
| 4. | Tata Metaliks, Kolkata | Director | 1) Chairman-Remuneration Committee 2) Member-Audit Committee |

2. Shri N.K. Shukla:

Shri N.K. Shukla is B.A. (Hons.) and also Post Graduate in Arts. He joined Indian Revenue Service in November 1973 as a class-I officer. He has been Commissioner of Income Tax since September 1997.

3. Shri Anil Agarwal:

Shri Anil Agarwal is a graduate in Commerce. He is a leading industrialist. He has more than 25 years experience in general management and overall business operations. He is also on the Board of the following companies:

| | Name of the Company/Body Corporate/Firms | Nature of Interest | Committee Member |
|---|---|---|---|
| 1. | The Bharat Aluminium Co. Ltd. | Director | NIL |
| 2. | The Madras Aluminium Co. Ltd. | Director | NIL |
| 3. | Sterlite Copper Limited | Director | NIL |
| 4. | Sterlite Industries (I) Ltd. | Chairman & Managing Director | NIL |
| 5. | Sterlite Paper Limited | Director | NIL |
| 6. | Sterlite Opportunities and Ventures Limited | Director | NIL |
| 7. | Vedanta Alumina Ltd. | Director | NIL |
| 8. | Copper Mines of Tasmania Pty. Limited | Director | NIL |
| 9. | Thalanga Copper Mine Pty. Ltd. | Director | NIL |
| 10. | Sterlite Gold Limited | Director | NIL |
| 11. | Vedanta Resources Plc | CEO & Director | NIL |
| 12. | Vedanta Resources Holdings Ltd. | Director | NIL |

**3. FINANCIAL CALENDAR FOR 2004-2005 (TENTATIVE):**

| | | |
|---|---|---|
| Financial Year | : | 31st March |
| First Quarter Results | : | On or before 31st July, 2004 |
| Half-Yearly Results | : | On or before 31st October, 2004 |
| Third Quarter Results | : | On or before 31st January, 2005 |
| Fourth Quarter Results & approval of Annual Accounts | : | On or before 30th June, 2005 |

| | | |
|---|---|---|
| **4. BOOK CLOSURE DATE** | : | 23rd September, 2004 to 29th September, 2004 (both days inclusive) |
| **5. DIVIDEND PAYMENT** | : | Dividend warrants will be posted on or after 6th October, 2004 within the statutory time limit. |
| Registered Office | : | Yashad Bhawan, Udaipur (Rajasthan) |

**6. LISTING OF SHARES ON STOCK EXCHANGES:** The Equity Shares of the Company are listed on Mumbai, Delhi and Jaipur Stock Exchanges.

1. **The Stock Exchange, Mumbai**
   Phiroze Jeejeebhoy Towers,
   Dalal Steet,
   MUMBAI - 400 001.
2. **The Delhi Stock Exchange Association Ltd.**
   DSE House, 3/1, Asaf Ali Road,
   NEW DELHI – 110 002.
3. **Jaipur Stock Exchange Ltd.**
   "JSE" Building,
   Jawahar Lal Nehru Marg,
   Malviya Nagar,
   JAIPUR – 302 017.

**7. STOCK CODE**

The Stock Exchange, Mumbai : 500188

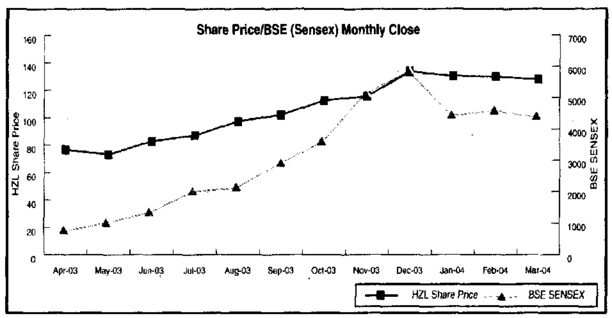
**8. STOCK PRICE DATA (FOR THE PERIOD APRIL, 2003 TO MARCH 2004):**

| Year Month | High Price (Rs.) | Low Price (Rs.) | Monthly Volume |
|---|---|---|---|
| 2003 April | 19.20 | <u>14.10</u> | 980,828 |
| May | 25.50 | 18.05 | 2,407,026 |
| June | 32.10 | 24.30 | 3,021,559 |
| July | 51.80 | 31.00 | 12,783,717 |
| August | 58.50 | 45.70 | 8,466,105 |
| September | 71.35 | 50.05 | 9,482,474 |
| October | 86.00 | 65.40 | 7,693,455 |
| November | 123.50 | 83.10 | 11,224,122 |
| December | <u>145.00</u> | 99.50 | 13,949,033 |
| 2004 January | 137.95 | 89.00 | 7,704,033 |
| February | 119.40 | 92.00 | 8,299,863 |
| March | 118.40 | 87.60 | 4,691,977 |



**9. STOCK PERFORMANCE**

The performance of the Company's share prices related to the BSE Sensex is given in the chart below:




**10. REGISTRAR AND SHARE TRANSFER AGENT:**

Demat and Electronic Connectivity Services have been entrusted to :

M/s. SHAREPRO SERVICES

Address: Satam Estate, 3rd Floor
Above Bank of Baroda
Cardinal Gracious Road, Chakala
Andheri (E), MUMBAI – 400 099
Phone : 022-28215168
Fax : 022-28375646

**11. SHARE TRANSFER SYSTEM :**

The Board of Directors have authorised the Company Secretary to process the physical transfers and registration. All transfer forms received are processed within a week's time. Shares under Objection are in general returned within a week's time.

**12. DISTRIBUTION OF SHAREHOLDING AS ON 31ST MARCH, 2004 :**

| No. of Equity Shares | No. of Shareholders | % of Shareholders | No. of Shares held | % of Shareholding |
|---|---|---|---|---|
| Less than 500 | 18,214 | 78.910 | 3,272,928.00 | 0.774 |
| 500-1000 | 2,176 | 9.428 | 1,903,926.00 | 0.450 |
| 1001-2000 | 1,559 | 6.754 | 2,693,925.00 | 0.638 |
| 2001-3000 | 347 | 1.503 | 903,830.00 | 0.213 |
| 3001-4000 | 207 | 0.897 | 770,452.00 | 0.182 |
| 4001-5000 | 210 | 0.910 | 1,006,410.00 | 0.239 |
| 5001-10000 | 221 | 0.957 | 1,602,390.00 | 0.380 |
| 10001 and above | 148 | 0.641 | 41,0378,039.00 | 97.124 |
| **TOTAL** | **23,082** | **100.000** | **422,531,900.00** | **100.000** |

**SHAREHOLDING PATTERN AS ON 31ST MARCH, 2004**

| CATEGORY | No. of Shares held | % of Share-holding |
|---|---|---|
| **A. Promoters' Holding** | | |
| **Person Acting in Concert** (Sterlite Opportunities and Ventures Ltd.) | 274,315,431 | 64.9218 |
| **B. Non-Promoters' Holding** | 0 | 0.0000 |
| **C. Institutional Investors** | | |
| 1. Mutual Funds and UTI | | |
| – Mutual Funds | 2,822,688 | 0.6680 |
| – UTI | 1,937,011 | 0.4584 |
| 2. Banks, Financial Institutions, Insurance Companies | | |
| – Nationalised Banks | 224,682 | 0.0532 |
| – Other Banks | 122,340 | 0.0290 |
| – Financial Institutions | 0 | 0 |
| – Insurance Companies | | |
| (1) Life Insurance Corporation | 1,741,871 | 0.4122 |
| (2) General Insurance Corporation | 27,557 | 0.0065 |
| 3. FIIs | 0 | 0.0000 |
| **SUB-TOTAL** | **6,876,149** | **1.6374** |
| **D. Others** | | |
| a. GOI - President of India | 124,795,059 | 29.5351 |
| b. Private Corporate Bodies | 2,728,126 | 0.6457 |
| c. Indian Public | 13,061,773 | 3.0913 |
| d. NRIs/OCBs | 176,303 | 0.0417 |
| e. NRI Company | 579,059 | 0.1370 |
| f. Any Other | 0 | 0.0000 |
| **SUB-TOTAL** | **141,340,320** | **33.4508** |
| **GRAND TOTAL** | **422,531,900** | **100,0000** |

**13. DEMATERIALISATION OF SHARES**

As on 31st March, 2004, 70.12% of total equity capital is held in Electronic Form with National Securities Depository Ltd. (NSDL) and Central Depository Services Ltd. (CDSL). The Company's equity shares have to be compulsorily traded in the electronic form w.e.f. October 15, 1998. Requests for dematerialisation of shares are processed and confirmed within 15 days of receipt to NSDL and CDSL through Registrars and Share Transfer Agent. Bulk demat requests are processed and confirmed within 30 days of receipt to NSDL and CDSL.

**14. OUTSTANDING GDRs/ADRs /WARRANT OR ANY CONVERTIBLE, CONVERSION DATE AND LIKELY IMPACT ON EQUITY**

As on 31st March, 2004 the Company has no outstanding GDRs/ADRs etc.

**15. PLANT LOCATION**

**MINING UNITS:**

| | | |
|---|---|---|
| Zawar Mines | : | Udaipur Distt. (Raj.) |
| Rajpura Dariba Mine | : | Rajsamand Distt. (Raj.) |
| Rampura Agucha Mine | : | Bhilwara Distt. (Raj.) |

**SMELTING UNITS:**

| | | |
|---|---|---|
| Debari Zinc Smelter | : | Udaipur Distt. (Raj.) |
| Chanderiya Lead Zinc Smelter | : | Chittorgarh Distt. (Raj.) |
| Vizag Zinc Smelter | : | Visakhapatnam (A.P.) |

**16. ADDRESS FOR COMMUNICATION** : Shri C. Sankaran
Company Secretary & GM
Hindustan Zinc Ltd.
Yashad Bhawan,
Udaipur - 313 004.

## CERTIFICATE

**To The Shareholders' of Hindustan Zinc Limited**

We have examined the compliance of the conditions of Corporate Governance by Hindustan Zinc Limited for the year ended March 31, 2004 as stipulated in Clause 49 of the Listing Agreements of the said Company with Stock Exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the Company's management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of an opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above-mentioned Listing Agreements.

We state that in respect of investor grievances received during the year ended March 31, 2004, no investor grievances are pending against the Company for a period exceeding one month as per records maintained by the Company and presented to the shareholders'/Investors' Grievance Committee.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For **Deloitte Haskins & Sells**
*Chartered Accountants*

**R. Raghavan**
Partner
*Membership No. 9483.*

Mumbai
Date : 14 June, 2004

## AUDITORS' REPORT

The Shareholders
Hindustan Zinc Limited

1. We have audited the attached Balance Sheet of Hindustan Zinc Limited (the Company) as at March 31, 2004, the Profit and Loss account and Cash Flow Statement of the Company for the year ended on that dale, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order, to the extent applicable and based on such checks we considered appropriate.
4. Reference is invited to Note 12 on Schedule 19, with regard to long term investments in equity shares of a power Company being classified as intangible asset and depreciated. This treatment is in preference to requirements of Accounting Standard 13 'Accounting for Investments' and Schedule XIV of the Companies Act, 1956. This has resulted in profit for the year being lower by Rs. 44.91 millions. Investment being lower by Rs. 983.88 millions and reserves and surplus being lower by Rs. 143.52 millions
5. Subject to Para 4 and further to our comments in the annexure referred to above, we report that :
   a. we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit;
   b. in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
   c. the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
   d. in our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
   e. on the basis of written representations received from the Directors, as on March 31, 2004, and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on March 31, 2004 from being appointed as a Director in terms of Section 274(1)(g) of the Companies Act, 1956;
   f. in our opinion and to the best of our information and according to the explanations given to us, the said accounts read with notes give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
      (i) in the case of Balance Sheet, of the state of affairs of the Company as at March 31, 2004;
      (ii) in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date; and
      (iii) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

for **Deloitte Haskins & Sells**
Chartered Accountants

**R. Raghavan**
*Partner*
Membership No. 9483

Place : Mumbai
Date : June 14, 2004

## ANNEXURE TO THE AUDITORS' REPORT AS REQUIRED BY THE COMPANIES (AUDITOR'S REPORT) ORDER, 2003

In our opinion and according to the information and explanation given to us, the nature of the company's business/activities during the year are such that clauses (i) (c), (iii) (v), (x), (xi), (xii), (xiii), (xiv), (xv), (xviii), (xix), (xx) of Companies (Auditor's Report) order, 2003 are not applicable to the Company.

(A) In respect of its fixed assets :
   i. The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
   ii. The Company has a phased programme of physical verification of its fixed assets which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. In accordance with such programme, the management has physically verified the fixed assets and no material discrepancies were noticed on such verification.

(B) In respect of its inventories :
   i. As explained to us, inventories were physically verified during the year by the Management at reasonable intervals.
   ii. In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
   iii. In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories and no material discrepancies were noticed on physical verification.

(C) In our opinion, and according to the information and explanations given to us,, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for purchase of inventory and fixed assets and for the sale of goods.

(D) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Section 58A of the Companies Act, 1956 and the rules framed there under and the directives issued by the Reserve Bank of India, where applicable, with regard to the deposits accepted from the public. The provisions of Section 58AA of the Companies Act, 1956, are not applicable to the Company.

(E) In our opinion, the internal audit system is commensurate with the size of the Company and the nature of its business.

(F) We have broadly reviewed the books of account and records maintained by the Company relating to the manufacture of Zinc, Lead and Sulphuric Acid, pursuant to the order made by the Central Government for the maintenance of cost records under Section 209(1) (d) of the Companies Act, 1956, and are of the opinion that prima facie the prescribed accounts and records have been made and maintained. We have, however, not made a detailed examination of the records with a view to determining whether they are accurate or complete.

(G) According to the information and explanations given to us, and on the basis of our examination of the books of account :
   i. The Company has been regular in depositing with appropriate authorities undisputed statutory dues including provident fund, income-tax, sales-tax, customs duty, investor education and protection fund, wealth-tax and any other material statutory dues applicable to it.
   ii. No undisputed dues payable in respect of income-tax, sales-tax, wealth-tax, customs duty and cess were outstanding at March 31, 2004 for a period of more than six months from the

date they became payable.

iii. Disputed sales-tax, income-tax, and excise duty aggregating to Rs. 164.43 million, Rs. 935.58 million and Rs. 403.36 million, respectively, have not been deposited since the matters are pending with the relevant forum as per Annexure 'A'.

(H) To the best of knowledge and belief and according to the information and explanations given to us, term loans availed by the Company were, prima facie, applied by the Company during the year for the purposes for which the loans were obtained, other than temporary deployment pending application.

(I) According to the Cash Flow statement and other records examined and the information and explanations given to us, on an overall basis, funds raised on short term basis have, prima facie, not been used during the year for long term investment (fixed assets, etc;) and vice versa, other than temporary deployment pending application.

(J) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the year.

for **Deloitte Haskins & Sells**
Chartered Accountants

**R. Raghavan**
Partner
Membership No. 9483

Place : Mumbai
Date : June 14, 2004

**Annexure `A' Statement of unpaid disputed statutory dues annexed to report dated March 31, 2004**

| | | | Nature of dues | Amount (Rs. In Millions) | Forum pending at |
|---|---|---|---|---|---|
| A. | <u>Sales Tax Claims</u> | | | | |
| | Company's appeals | | Disputes in respect of sales tax rate difference/classification and stock transfers treated as sales | 164.43 | Dy. Commissioner, Joint Commissioner, CTO, Tribunal and High Court |
| | | | Total | **164.43** | |
| B | <u>Income Tax Act 1961</u> | | | | |
| | Income Tax department's appeals | **Assessment year** | | | |
| | a) | 1994-95 to1997-98 | Relief granted by CIT (A) for differences in computation, allowances of certain expenses and enhancement of rebate, etc. | 348.74 | Tribunal |
| | b) | 1990-91 to 1994-95 & 1996-97 | Relief granted by Tribunal for differences in computation, allowances of certain expenses and enhancement of rebate, etc. | 586.83 | High Court |
| | | | Total | **935.58** | |
| C. | <u>Central Excise Duty Claims</u> | | | | |
| | Company's appeals | | Admissibility of Modvat/Cenvat credit on inputs, capital goods, alleged duty demand on captive use of intermediate goods, reversal of the amount on dispatch of by-products, duty on valuation and storage/handling losses. | 378.02 | CESAT, Commissioner (Appeals) and High Court |
| | Department's appeals | | Admissibility of credit of duty on captive use of intermediate goods (i.e. anodes/sheets) | 25.34 | Supreme Court |
| | | | Total | **403.36** | |

## BALANCE SHEET AS AT MARCH 31, 2004

(Rs. in millions)

| | Schedule | | 2004 | | 2003 |
|---|---|---|---|---|---|
| **SOURCES OF FUNDS** | | | | | |
| **Shareholders' funds** | | | | | |
| Capital | 1 | 4225.32 | | 4225.32 | |
| Reserves and surplus | 2 | 10843.42 | 15068.74 | 7472.05 | 11697.37 |
| **Loan funds** | | | | | |
| Secured loans | 3 | 6073.88 | | — | |
| Unsecured loans | 4 | 4.08 | | 6.78 | |
| | | | 6077.96 | | 6.78 |
| **Deferred tax liability (net)** | | | 656.38 | | 1377.33 |
| **TOTAL** | | | 21803.08 | | 13081.48 |
| **APPLICATION OF FUNDS** | | | | | |
| **Fixed assets** | 5 | | | | |
| Gross block | | 15997.48 | | 15979.61 | |
| Less : Accumulated depreciation | | (9597.10) | | (9,427.11) | |
| Net block | | 6400.38 | | 6552.50 | |
| Capital work in progress (includes advances) | | 2518.32 | | 48.69 | |
| | | | 8918.70 | | 6601.19 |
| **Investments** | 6 | | 6193.25 | | – |
| **Current assets, loans and advances** | | | | | |
| Inventories | 7 | 3225.82 | | 3061.77 | |
| Sundry debtors | 8 | 2728.73 | | 622.69 | |
| Cash and bank balances | 9 | 4046.13 | | 2569.10 | |
| Other current assets | 10 | 121.18 | | 118.76 | |
| Loans and advances | 11 | 1038.14 | | 993.42 | |
| | | 11160.00 | | 7365.74 | |
| **Less: Current liabilities and provisions** | 12 | | | | |
| Current liabilities | | 3464.74 | | 2451.49 | |
| Provisions | | 1004.13 | | 542.83 | |
| | | 4468.87 | | 2994.32 | |
| **Net current assets** | | | 6691.13 | | 4371.42 |
| **Miscellaneous expenditure** (to the extent not written off or adjusted) | | | | | |
| Voluntary retirement expenses | | | – | | 2108.87 |
| **TOTAL** | | | 21803.08 | | 13081.48 |
| **Notes** | 19 | | | | |

**SCHEDULES 1 TO 19 FORM INTEGRAL PART OF ACCOUNTS**

In terms of our report of even date

For **Deloitte Haskins & Sells**
*Chartered Accountants*

**R. Raghavan**
*Partner*
Membership No : 9483

For and on behalf of the Board

**K.K. Kaura**
*Managing Director*

**C.D. Arha**
*Chairman*

**C. Sankaran**
*Company Secretary*

Place : Mumbai
Date : June 14, 2004

## PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2004

(Rs. in millions)

| | Schedule | | 2004 | | 2003 |
|---|---|---|---|---|---|
| **INCOME** | | | | | |
| Sales | | 20790.13 | | 16087.22 | |
| Less : Excise | | (2375.19) | 18414.94 | (1974.59) | 14112.63 |
| Other income | 13 | | 943.88 | | 759.11 |
| **TOTAL** | | | 19358.82 | | 14871.74 |
| **EXPENDITURE** | | | | | |
| Mining and manufacturing | 14 | | 8027.07 | | 6515.94 |
| (Accretion)/Decretion of stock | 15 | | (146.24) | | 1170.07 |
| Employees' remuneration and benefits | 16 | | 1663.98 | | 2897.01 |
| Administrative and selling | 17 | | 1132.77 | | 1225.30 |
| Interest | 18 | | 7.45 | | 2.98 |
| Depreciation | | | 717.59 | | 707.63 |
| **TOTAL** | | | 11402.62 | | 12518.93 |
| **PROFIT BEFORE PRIOR PERIOD ITEMS AND TAX** | | | 7956.20 | | 2352.81 |
| Exceptional item - Unamortised voluntary retirement expenses | | | (2108.87) | | – |
| Prior period items(net) | | | – | | (59.17) |
| **PROFIT BEFORE TAX** | | | 5847.33 | | 2293.64 |
| Provision for tax – Current | | | 2522.40 | | 853.98 |
| – Deferred | | | (720.95) | | 18.14 |
| **PROFIT AFTER TAX** | | | 4045.88 | | 1421.52 |
| Balance being surplus brought forward | | | 619.67 | | 579.49 |
| **PROFIT AVAILABLE FOR APPROPRIATION** | | | 4665.55 | | 2001.01 |
| **APPROPRIATION** | | | | | |
| Proposed dividend | | | 591.55 | | 338.03 |
| Corporate dividend tax | | | 75.79 | | 43.31 |
| General reserve | | | 3000.00 | | 1000.00 |
| Balance being surplus carried forward | | | 998.21 | | 619.67 |
| | | | 4665.55 | | 2001.01 |
| **Basic and diluted earnings per share (in Rs.)** | | | 9.58 | | 3.36 |
| **Notes** | 19 | | | | |

**SCHEDULES 1 TO 19 FORM INTEGRAL PART OF ACCOUNTS**

In terms of our report of even date

For **Deloitte Haskins & Sells**
*Chartered Accountants*

**R. Raghavan**
*Partner*
Membership No : 9483

For and on behalf of the Board

**K.K. Kaura**
*Managing Director*

**C.D. Arha**
*Chairman*

**C. Sankaran**
*Company Secretary*

Place : Mumbai
Date : June 14, 2004

## SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2004.

(Rs. in millions)

| | 2004 | 2003 |
|---|---|---|
| **1. CAPITAL** | | |
| **Authorised** | | |
| 500,000,000 (2003 : 500,000,000) equity shares of Rs.10/- each. | **5000.00** | 5000.00 |
| **Issued, subscribed and paid up** | | |
| 422,531,900 (2003 : 422,531,900) equity shares of Rs.10/- each fully paid up of the above: | **4225.32** | 4225.32 |
| (a) 21,370,000 (2003 : 21,370,000) equity shares of Rs.10/- each allotted for consideration other than cash. | **4225.32** | 4225.32 |

(b) 274,315,431 (2003 :194,364,774) equity shares of Rs. 10/- each are held by Sterlite Opportunities and Ventures Limited (SOVL) - holding company. SOVL is a subsidiary of Sterlite Industries (India) Limited (SIIL) and the ultimate holding company is Vedanta Resources Plc., United Kingdom (VRP). SIIL and VRP do not hold any shares in the Company.

| | 2004 | 2004 | 2003 | 2003 |
|---|---|---|---|---|
| **2. RESERVES AND SURPLUS** | | | | |
| **Capital reserve** | | | | |
| Balance provisions after adjustment as per Metal Corporation (Nationalisation and Miscellaneous Provision) Act, 1976 - balance as per last Balance Sheet | | **6.05** | | 6.05 |
| **Research and development reserve** | | | | |
| As per last balance sheet | **7.17** | | 22.74 | |
| Add : Interest | **0.83** | | 0.40 | |
| | **8.00** | | 23.14 | |
| Less : Adjusted during the year | **3.87** | | 15.97 | |
| Less : Transfer to other liabilities | **4.13** | — | — | 7.17 |
| **General reserve** | | | | |
| As per last balance sheet | **6839.16** | | 5839.16 | |
| Add : Transferred from Profit and Loss Account | **3000.00** | | 1000.00 | |
| | | **9839.16** | | 6839.16 |
| **Profit and Loss Account - surplus** | | **998.21** | | 619.67 |
| | | **10843.42** | | 7472.05 |

(Rs. in millions)

| | 2004 | 2004 | 2003 |
|---|---|---|---|
| **3. SECURED LOANS** | | | |
| **From banks -** | | | |
| – Short term Buyers Credit - Foreign Currency | **437.24** | | — |
| – Packing Credit in Foreign Currency | **107.89** | | — |
| (Secured by pari passu first charge by way of hypothecation of entire stocks of raw materials, semi finished goods, finished goods, consumables and other movables including book debts and receivables both present and future Loans include Rs. 545.13 (2003 : Nil) repayable within 12 months) | | | |
| External Commercial Borrowings - Banks | **5528.75** | **6073.88** | — |
| (Secured by hypothecation of fixed assets of Chanderiya Lead Zinc Smelter, Debari Zinc Smelter and Vizag Zinc Smelter and movable assets - excluding inventories and debtors of Chanderiya Lead Zinc Smelter, Debari Zinc Smelter, Vizag Zinc Smelter, Zawar mines, Rajpura Dariba mines Rampura Agucha mines. This loan is repayable in the third year Rs. 1326.90, fifth year Rs. 2874.95 and balance in the seventh year, commencing November 24, 2003.) | | **6073.88** | — |
| **4. UNSECURED LOANS** | | | |
| Public deposits | **0.16** | | 2.23 |
| Interest accrued and due | — | | 0.63 |
| From others | **3.92** | **4.08** | 3.92 |
| Public deposits include Rs. 0.15 (2003 : Rs. 2.08) repayable within 12 months | | **4.08** | 6.78 |

**5. FIXED ASSETS**

| | GROSS BLOCK (AT COST) | | | | | | | DEPRECIATION | | | | | NET BLOCK | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | As at 31.03.2003 | Reclasifi-cation | Addi-tions | Deduc-tions | As at 31.03.04 | Adjustment for grant | Net gross block as at 31.03.04 | Upto 31.03.03 | Reclasifi cation | Provided during the year | Written back | Total Upto 31.03.04 | **As at 31.03.04** | As at 31.03.03 |
| Land (including development expenditure) | | | | | | | | | | | | | | |
| Free-hold | 105.57 | – | 27.23 | – | 132.80 | – | **132.80** | – | – | – | – # | – | **132.80** | 105.57 |
| Lease-hold | 3.50 | – | – | 0.02 | 3.48 | – | **3.48** | – | – | – | – # | – | **3.48** | 3.50 |
| Buildings and roads @ | 1113.67 | (7.40) | 177.51 | 22.47 | 1261.31 | 2.49 | **1258.83** | 328.99 | (2.85) | 31.65 | 20.98 | 336.81 | **922.02** | 782.20 |
| Mine development expenditure | 579.72 | – | – | – | 579.72 | – | **579.72** | 497.46 | – | 30.36 | – | 527.82 | **51.90** | 82.26 |
| Railway sidings, locomotives and wagons | 74.67 | (2.00) | – | – | 72.67 | – | **72.67** | 46.11 | (1.90) | 3.25 | – | 47.46 | **25.21** | 28.57 |
| Plant and machinery | 12167.28 | (9.62) | 254.53 | 39.42 | 12372.77 | 140.14 | **12232.63** | 7405.60 | (9.56) | 617.97 | 38.07 | 7975.94 | **4256.69** | 4625.41 |
| Other equipments | 349.05 | (36.63) | 17.27 | 2.02 | 327.67 | 23.60 | **304.07** | 201.14 | (23.02) | 15.19 | 0.69 | 192.62 | **111.45** | 124.21 |
| Intangible asset | 830.43 | – | 153.44 | – | 983.87 | – | **983.87** | 98.61 | – | 44.91 | – | 143.52 | **840.35** | 731.82 |
| Furniture and fittings | 43.19 | 34.91 | 1.38 | 0.06 | 79.42 | – | **79.42** | 36.43 | 21.52 | 3.29 | 0.04 | 61.20 | **18.22** | 6.76 |
| Vehicles | 63.32 | (1.52) | 0.85 | 3.56 | 59.09 | – | **59.09** | 41.90 | (1.62) | 3.82 | 3.27 | 40.83 | **18.26** | 21.43 |
| Assets retired from active use | 811.67 | 22.26 | – | 543.03 | 290.90 | – | **290.90** | 770.87 | 17.43 | 1.31 | 518.71 | 270.90 | **20.00** | 40.77 |
| Total | 16142.07 | (0.00) | 632.21 | 610.58 | 16163.70 | 166.23 | **15997.48** | 9427.11 | – | 751.74 * | 581.76 ** | 9597.10 | **6400.38** | 6552.50 |
| Previous year (total) | 15690.40 | 0.00 | 733.07 | 281.40 | 16142.07 | 162.46 | **15979.61** | 8682.57 | – | 1012.29 | 267.75 | 9427.11 | **6552.50** | 6847.45 |

| * **Depreciation provided has been accounted for as under :** | **2004** | 2003 |
|---|---|---|
| Profit and Loss Account | **717.59** | 707.63 |
| Prior period adjustment account | – | 59.17 |
| Expenditure on mine development | **30.36** | 240.79 |
| Research and development expenditure | **3.79** | 4.71 |
| | **751.74** | 1012.29 |
| ** **Depreciation written back has been accounted for as under :** | | |
| Excess provision written back | — | 0.08 |
| Assets sold/discarded/demolished/ dismantled account | **581.76** | 267.66 |
| | **581.76** | 267.75 |

| | **2004** | 2003 |
|---|---|---|
| 100 % depreciation charged on following assets are as under : | | |
| For the year – Plant and Machinery and vehicles | **1.01** | 0.70 |
| – Furniture and fixtures | **0.14** | 0.19 |
| Cumulative | **64.89** | 63.75 |

@ Buildings includes Rs.10.27 (2003: Rs. 10.27) where bifurcation of the cost between land and building is not ascertained

## SCHEDULES TO THE BALANCE SHEET & PROFIT AND LOSS ACCOUNT

(Rs.in millions)

| | Face Value | Total No. of units | 2004 | 2003 |
|---|---|---|---|---|
| **6. INVESTMENTS - Current** | | | | |
| **Non trade and unquoted in mutual funds** | | | | |
| Birla Cash Plus -Institutional Premium Plan - Dividend units of Birla Mutual fund | 10.00 | 70,981,970 | **709.82** | 0.00 |
| HDFC Liquid -Premium Plus Dividend units of HDFC Mutual fund | 10.00 | 55,100,445 | **659.31** | 0.00 |
| HSBC Cash-Instutional - Weekly Dividend units of HSBC Mutual fund | 10.00 | 38,812,868 | **405.11** | 0.00 |
| Kotak Liquid-Instutional Premium - Dividend units of Kotak Mutual fund | 10.00 | 30,327,992 | **304.26** | 0.00 |
| Reliance Treasury-Institutional - Weekly Dividend units of Reliance Mutual fund | 10.00 | 26,519,487 | **403.47** | 0.00 |
| IL&FS Liquid Account Institutional Dividend units of IL&FS Mutual fund | 10.00 | 30,349,760 | **303.50** | 0.00 |
| JM High Liquidity Institutional Dividend units of JM High Liquidity Mutual fund | 10.00 | 10,114,961 | **101.34** | 0.00 |
| Principal CMF Liquid Institutional Dividend units of Principal Mutual fund | 10.00 | 20,430,270 | **204.32** | 0.00 |
| Prudential ICICI Liquid Premium Institutional Plus units of Prudential ICICI Mutual fund | 10.00 | 30,495,952 | **361.42** | 0.00 |
| DSPML Liquidity Fund units of DSPML Mutual fund | 10.00 | 24,995 | **0.31** | 0.00 |
| Grindlays Mutual fund Fixed maturity plan | 10.00 | 20,358,531 | **203.59** | 0.00 |
| Principal Mutual Fund fixed maturity plan | 10.00 | 30,000,000 | **300.00** | 0.00 |
| JM Mutual fund fixed maturity plan | 10.00 | 60,000,000 | **600.00** | 0.00 |
| Reliance Mutual fund fixed maturity plan | 10.00 | 80,000,000 | **800.00** | 0.00 |
| Prudential ICICI Mutual fund fixed maturity plan | 10.00 | 12,000,000 | **120.00** | 0.00 |
| LIC Liquidity Fund units of LIC Mutual fund | 10.00 | 52,607,655 | **566.86** | 0.00 |
| Reliance Liquidity Fund units of Reliance Mutual fund | 10.00 | 9,817,346 | **149.94** | 0.00 |
| | | | **6193.25** | 0.00 |
| Aggregate of unquoted investments | At book value | | **6193.25** | 0.00 |

**Number of units purchased and sold during the year:**

| **Scheme** | 2004 **Purchased during the year** | 2004 **Sold duirng the year** | 2003 Purchased during the year | 2003 Sold duirng the year |
|---|---|---|---|---|
| DSP ML Short Term Fund - Growth | **5,990,932** | **5,990,932** | – | – |
| DSP ML Short Term Fund - Growth | **1,990,096** | **1,990,096** | – | – |
| DSP ML Short Term Fund - Growth | **2,487,620** | **2,487,620** | – | – |
| JM Short Term Fund - I P - Growth | **11,484,566** | **11,484,566** | – | – |
| Deutsche Short Maturity Fund - weekly dividend | **10,065,961** | **10,065,961** | – | – |
| Reliance Short Term Fund - dividend | **35,027,663** | **35,027,663** | – | – |
| HDFC STP - Premium Plus Plan - weekly div. | **495,838** | **495,838** | – | – |
| Reliance Liquid weekly dividend -605 | **1,238,479** | **1,238,479** | – | – |
| Reliance Liquid weekly dividend -841 | **3,897,870** | **3,897,870** | – | – |
| Reliance Liquid weekly dividend -852 | **5,230,238** | **5,230,238** | – | – |
| Alliance Capital | **27,160,848** | **27,160,848** | – | – |
| Templeton Mutual Fund (TMA) | **238,029** | **238,029** | – | – |
| LIC Mutual Fund | **159,501,059** | **106,893,404** | – | – |
| Prudential ICICI Liquid | **219,041,774** | **219,041,774** | – | – |
| Birla Cash Plus - institutional-dividend-daily | **130,878,861** | **130,878,861** | – | – |
| Birla Cash Plus - Retail dividend | **42,933,353** | **42,933,353** | – | – |
| Deutsche Insta Cash Plus-Div Daily | **19,477,617** | **19,477,617** | – | – |
| Deutsche Insta Cash Plus-weekly div. | **20,032,651** | **20,032,651** | – | – |
| Grindlays Cash - Inst Plan B-daily div. | **56,834,867** | **56,834,867** | – | – |
| Grindlays Cash - Inst Plan B-Weekly Div. | **19,754,057** | **19,754,057** | – | – |
| HDFC Liquid - Prem Plus-Div. | **184,831,847** | **129,731,402** | – | – |
| HDFC Liquid -Prem - Div. | **79,593,941** | **79,593,941** | – | – |
| HDFC Short Term | **27,888,517** | **27,888,517** | – | – |
| HSBC Cash-Inst - Daily Div. | **38,419,475** | **38,419,475** | – | – |
| Kotak Liquid-Inst Prem - Daily Div. | **24,596,592** | **24,596,592** | – | – |
| Tata liquid-SHIP - Div Daily | **36,055,748** | **36,055,748** | – | – |
| Templeton India TMA Dividend Daily | **397,793** | **397,793** | – | – |
| JM High Liquidity - Inst Div. | **30,070,858** | **19,955,897** | – | – |
| JM Short Term IP Dividend | **19,953,833** | **19,953,833** | – | – |
| Principal CMF Liquid - Inst Div. | **40,416,280** | **19,986,010** | – | – |
| Pru ICICI Liquid Prm Inst Plus | **102,225,269** | **71,729,317** | – | – |
| Pru ICICI Short Term Plan - Div. Reinvest | **27,854,401** | **27,854,401** | – | – |
| DSPML Liquidity Fund | **24,203,140** | **24,178,145** | – | – |
| DSPML Short term | **27,385,756** | **27,385,756** | – | – |
| Reliance liquid fund | **9,817,346** | – | – | – |
| Reliance fixed maturity plan | **80,000,000** | – | – | – |
| Principal fixed maturity plan | **30,000,000** | – | – | – |
| Birla cash plus - Inst Prem Plan - Dividend | **70,981,970** | – | – | – |
| HSBC Cash-Inst - Weekly Div. | **38,812,868** | – | – | – |
| Kotak Liquid-Inst Prem - Dividend | **30,327,992** | – | – | – |
| Reliance Treasury - Inst Weekly Dividend | **26,519,487** | – | – | – |
| ILFS Liquid Account - Inst Dividend | **30,349,760** | – | – | – |
| Grindlays fixed maturity plan | **20,358,531** | – | – | – |
| JM Fixed Maturity Plan | **60,000,000** | – | – | – |
| Pru ICICI fixed maturity plan | **12,000,000** | – | – | – |

## SCHEDULES TO THE BALANCE SHEET & PROFIT AND LOSS ACCOUNT

(Rs. in millions)

| | | 2004 | | 2003 |
|---|---|---|---|---|
| **7. INVENTORIES** | | | | |
| Stores and spares | 445.51 | | 424.53 | |
| Goods-in-transit | 4.90 | | 8.06 | |
| Ore | 0.11 | | 11.23 | |
| Concentrates and rockphosphate * | 1711.46 | | 1498.32 | |
| Stock in process | 144.13 | | 253.74 | |
| Finished goods ** | 919.71 | | 865.89 | |
| | | 3225.82 | | 3061.77 |

* Includes concentrate in transit of Rs. 36.46 (2003: Rs.26.35)

** Includes finished goods in transit Rs. 182.63 ( 2003: Rs.4.91)

| | | 2004 | | 2003 |
|---|---|---|---|---|
| **8. SUNDRY DEBTORS - considered good** | | | | |
| Debts outstanding for more than six months-unsecured | 1.43 | | 0.05 | |
| Other debts | | | | |
| – Secured | 2288.29 | | 622.64 | |
| – Unsecured | 439.01 | | – | |
| | | 2728.73 | | 622.69 |

| | | 2004 | | 2003 |
|---|---|---|---|---|
| **8. CASH AND BANK BALANCES** | | | | |
| Cash/cheques in hand | | 8.43 | | 19.95 |
| Balance with scheduled banks in: | | | | |
| Current account | 73.21 | | 122.53 | |
| Short term deposits *** | 3964.49 | | 2418.09 | |
| Remittance in transit | 0.00 | | 8.53 | |
| | | 4037.70 | | 2549.15 |

*** Includes term deposit receipts Rs. 54.06 (2003: Rs.78.94 ) pledged as security to bankers towards bank guarantee, letters of credit.

| | 2004 | 2003 |
|---|---|---|
| **10. OTHER CURRENT ASSETS** | | |
| Interest accrued on deposits | 121.18 | 118.76 |
| | 10121.86 | 6372.32 |

| | 2004 | 2003 |
|---|---|---|
| **11. LOANS AND ADVANCES** | | |
| **Loans - staff (Considered good) #** | | |
| Secured * | 297.15 | 312.27 |
| *Secured by hypothecation of property / vehicle | | |
| **Advances recoverable in cash or in kind or for value to be received -** unsecured, considered good | 462.15 | 115.04 |
| **Deposits with government departments and others** | 233.84 | 254.09 |
| Includes national saving certificates/fixed deposit receipts Re. 0.71 ( 2003: Rs.7.23) lodged as security with Government authorities . | | |
| **Taxation (net)** | 45.00 | 312.02 |
| | 1038.14 | 993.42 |
| # Includes: | | |
| Due from : | | |
| Officers | 0.16 | 0.12 |
| Maximum amount due at any time during the year | | |
| Directors | 0.00 | 0.07 |
| Officers | 0.19 | 0.26 |

(Rs. in millions)

| | | 2004 | | 2003 |
|---|---|---|---|---|
| **12. CURRENT LIABILITIES AND PROVISIONS** | | | | |
| **Current liabilities** | | | | |
| Sundry creditors : | | | | |
| Small scale undertakings | 2.65 | | 1.42 | |
| Others | 1594.26 | | 1113.22 | |
| | | 1596.91 | | 1114.64 |
| Advance from customers | | 341.17 | | 126.47 |
| Security and other deposits | | 386.95 | | 151.83 |
| Investor education and protection fund | | | | |
| - matured fixed deposits | | 0.80 | | 0.80 |
| - unpaid dividend (not due for payment) | | 1.87 | | 1.45 |
| Other liabilities | | 1084.44 | | 1056.22 |
| Interest accrued but not due | | 52.60 | | 0.08 |
| | | 3464.74 | | 2451.49 |
| **Provisions** | | | | |
| Dividend | 591.55 | | 338.03 | |
| Corporate dividend tax | 75.79 | | 43.31 | |
| Provision towards contingencies | 336.79 | | 161.49 | |
| | | 1004.13 | | 542.83 |
| | | 4468.87 | | 2994.32 |

| | | 2004 | | 2003 |
|---|---|---|---|---|
| **13. OTHER INCOME** | | | | |
| Interest on - gross * | | | | |
| deposits | 250.50 | | 176.03 | |
| staff loans | 20.41 | | 29.54 | |
| others | 186.50 | | 164.91 | |
| | | 457.41 | | 370.48 |
| * Tax deducted at source Rs. 73.94 (2003 : Rs. 16.11) | | | | |
| Rent | | 8.43 | | 7.96 |
| Profit on sale of fixed assets (net) | | 44.73 | | 18.13 |
| Provision for expenses written back | | 108.72 | | 79.34 |
| Exchange difference (net) | | 6.90 | | 13.57 |
| Miscellaneous income | | 317.69 | | 269.63 |
| | | 943.88 | | 759.11 |

| | | 2004 | | 2003 |
|---|---|---|---|---|
| **14. MINING AND MANUFACTURING** | | | | |
| Materials consumed | | 37.99 | | 1.07 |
| Stores, spares and components consumed | | 1819.32 | | 1674.23 |
| Power and Fuel | | 2476.98 | | 2656.16 |
| Provision towards contingencies | | 175.30 | | 161.49 |
| Lease Rent | | 0.00 | | 0.36 |
| Repairs : | | | | |
| Buildings | 42.64 | | 35.96 | |
| Machinery | 729.11 | | 665.74 | |
| Others | 31.88 | | 20.73 | |
| | | 803.63 | | 722.43 |
| Freight on concentrate | | 297.62 | | 173.69 |
| Tolling charges | | 1029.82 | | - |
| Other factory expenses | | 258.29 | | 162.50 |
| Excise | | (26.06) | | (170.09) |
| Environment and pollution control | | 10.36 | | 72.79 |
| Royalty | | 1108.32 | | 820.48 |
| Amortisation | | 35.50 | | 240.83 |
| | | 8027.07 | | 6515.94 |

| | 2004 | 2003 |
|---|---|---|
| **15. (ACCRETION)/DECRETION OF STOCK** | | |
| **Closing stock** | | |
| Ore | 0.11 | 11.23 |
| Concentrates and rockphosphate | 1711.46 | 1498.31 |
| Stock-in process | 144.13 | 253.74 |
| Finished goods | 919.71 | 865.89 |
| Total | 2775.41 | 2629.17 |
| **Opening stock** | | |
| Ore | 11.23 | 57.49 |
| Concentrates and rockphosphate | 1498.31 | 1759.09 |
| Stock-in process | 253.74 | 707.54 |
| Finished goods | 865.89 | 1275.12 |
| Total | 2629.17 | 3799.24 |
| **(Accretion)/Decretion of stocks** | (146.24) | 1170.07 |

## SCHEDULES TO THE BALANCE SHEET & PROFIT AND LOSS ACCOUNT

(Rs. in millions)

| | | 2004 | | 2003 |
|---|---|---|---|---|
| **16. EMPLOYEES' REMUNERATION AND BENEFITS** | | | | |
| Salary, wages and bonus | | 1314.42 | | 1600.49 |
| Voluntary retirement expenses- current year | | 28.30 | | – |
| - amortisation | | – | | 599.97 |
| Contribution to provident/ other funds | | 149.65 | | 457.55 |
| Staff welfare expenses | | 183.09 | | 241.21 |
| | | 1675.46 | | 2899.22 |
| Less: Capitalised | | 11.48 | | 2.21 |
| | | 1663.98 | | 2897.01 |
| **17. ADMINISTRATIVE AND SELLING** | | | | |
| Rent | | 0.82 | | 1.85 |
| Rates and taxes | | 11.10 | | 14.24 |
| Insurance | | 36.07 | | 31.43 |
| Expenses on watch and ward | | 24.51 | | 47.56 |
| Technical consultancy | | 65.05 | | 33.83 |
| Research and developement expenses: | | | | |
| Salary , wages and bonus | 13.89 | | 25.08 | |
| Materials and services | 4.42 | | 3.56 | |
| Others | 8.50 | | 7.75 | |
| Depreciation | 3.79 | | 4.71 | |
| | 30.60 | | 41.10 | |
| Less : Grants received | 16.01 | | 14.80 | |
| | | 14.59 | | 26.30 |
| Directors' fees | | 0.18 | | 0.12 |
| Directors' travelling expenses (including Chairman - Managing Director Rs. 1.53 ) (2003: Rs.0.93) | | 3.27 | | 2.02 |
| Auditors' remuneration and expenses | | | | |
| Audit fees | 1.62 | | 0.37 | |
| Tax audit fees | 0.86 | | 0.00 | |
| Other services | 0.00 | | 0.04 | |
| Out of pocket expenses | 0.47 | | 0.30 | |
| | | 2.95 | | 0.71 |
| Cost audit and expenses | | 0.08 | | 0.22 |
| Donation | | 7.78 | | 13.70 |
| Selling and distribution | | | | |
| - freight and forwarding | | 312.00 | | 420.95 |
| - other selling expenses | | 276.23 | | 272.42 |
| Bad debts written off | | 9.01 | | 5.14 |
| Corporate expenses - reimbursed | | 124.88 | | 119.62 |
| Other expenses | | 244.25 | | 235.19 |
| | | 1132.77 | | 1225.30 |
| **18. INTEREST** | | | | |
| – Fixed loans | | 2.14 | | - |
| – Public deposits | | 0.39 | | 2.03 |
| – Others | | 4.92 | | 0.95 |
| | | 7.45 | | 2.98 |

### 19. NOTES

### (A) SIGNIFICANT ACCOUNTING POLICIES

**BASIS OF ACCOUNTING**

The Financial Statements are prepared under the historical cost convention and in accordance with applicable accounting standards and provisions of the Companies Act. 1956,

**USE OF ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles requires Management to make estimates arid assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Differences between actual results and estimates are recognised in the periods in which the results are known/materialise,

**FIXED ASSETS**

Fixed assets (including research and development assets) are recognised at cost of acquisition including expenditure upto the date of commissioning, net of cenvat. Grants received towards fixed assets are reduced from the cost of the related assets.

Mine development expenditure includes leases, costs incurred for acquiring/ developing properties/rights up to the stage of commercial production.

**DEPRECIATION AND AMORTISATION**

Depreciation on fixed assets is proved using the straight-line method at rates prescribed under Schedule XIV of the Companies Act, 1956 subject to the following deviations :

- Additions and disposals are reckoned on the first day and the last day of the quarter respectively.
- Individual items of plant and machinery and vehicles casting upto Rs. 25,000 /- are wholly depreciated.
- Tools, implements and instruments are written off on issue.

Mine development expenditure is amortised in proportion to the annual ore raised to the remaining mineable ore reserves. Residual expenditure on mine development is written off in the year of abandonment.

**INVESTMENTS**

Current investments are staled at lower of cost and market value.

**INVENTORIES**

- Concentrate, stock in process and finished products are valued at lower of cost or net realisable value.
- Stores and spares (including insurance spares) are valued at lower of cost or net realisable value.
- Byproducts, aluminium scrap, chemical lead scrap, anode scrap and coke fines are valued at net realisable value. Other scraps/residuals are not valued.
- Stock pile of moore cake, neutral sand, lime sludge, beta cake, lead sulphate, lead hydroxide, ore (except rockphosphate ore), tailing dust of rockphosphate ore and copper cadmium cake are valued at Re. 1 per MT.

**REVENUE AND EXPENSES**

Revenue on sale of products (net of value rebates) is recognised on delivery of product and/or on passage of title to the buyer.

All other revenue and expenses are recognised on accrual basis. Revenue relating to interest on staff loans for conveyance, insurance/railway claims is recognised when recoverability is certain.

Expenditure on projects are :

- Capitalised when projects are crystallised.
- Written off in other cases.

Technical know how, not directly identificable to any plans, layout of buildings/plant and machinery, etc., are written off. Expenditure relating to fixed assets not owned by Company is charged to revenue.

Prior period/prepaid expenses exceeding Rs. 0.05 million is appropriately disclosed.

All revenue expenses on research and development are written off.

**FOREIGN CURRENCY TRANSACTIONS**

Transactions is foreign currency are recorded at exchange rates prevailing on the date of the transaction. All monetary items denominated in foreign currency are restated at year end/forward rates.

Exchange differences on restatement or settlement are charged to profit and loss account except those relating to fixed assets, which are included in the cost of the asset.

Exchange differences relating to foreign currency transactions covered by forward contracts, are adjusted to the profit and loss account over the life of the forward contract, except those relating fixed assets, which are included in the cost of the asset.

**BORROWING COST**

Borrowing costs that are attributable to the acquisition/construction of qualifying assets is capitalised as part of cost of such asset till such time as the asset is ready for its intended use. All other borrowing costs are recognised as an expense in the period in which they are incurred.

## SCHEDULES TO THE BALANCE SHEET & PROFIT AND LOSS ACCOUNT

**RETIREMENT BENEFITS**
The Company has a Gratuity and a Leave Encashment Scheme for employees. Incremental liability towards these schemes are determined on actuarial basis and charged to profit and loss account.

**VOLUNTARY RETIREMENT EXPENSES**
Voluntary retirement expenses are charged to the profit and loss account.

**TAXATION**
Provision for current tax is made after taking into account rabate and relief available under the provisions of the Income Tax Act, 1961.
Deferred tax resulting from "timing difference" between book and taxable profit is accounted for using the tax rates and laws that have been enacted or substantively enacted as on the balance sheet date. The deferred tax asset is recognised only to the txtent that there is a reasonable certainty that the future taxable profit will be available against which the deferred tax asset can be realized.

**DIVIDEND**
Provision is made for proposed dividend and tax thereon subject to consent of the shareholders at the annual general meeting.

**CONTINGENT LIABILITIES :**
Appropriate disclosure is made for all contingent liabilities.

**B) Notes**

1. Effective November 12, 2003, the Company has become a subsidiary of Sterlite Opportunitie and Ventues Limited (SOVL). SOVL is a subsidiary of Sterlite Industries India Limited (SIIL) and SIIL is a subsidiary of Vedanta Resources Plc, United Kingdom.
2. Contingent Liability :

**(Rs. Milions)**

| | **March 31, 2004** | March 31, 2003 |
|---|---|---|
| Claims against the company not acknowledged as debts | **485.53** | 482.28 |
| Guarantees issued by the banks | **30.21** | 31.38 |
| Sales tax demands | **187.27** | 161.05 |
| Claim for compensation (CLZS land) | **Not ascertainable** | Not ascertainable |
| Liability, if any for writ petition filed in the Honorable Andhra Pradesh High Court by Pollution Sufferers Association demanding compensation for loss suffered due to alleged pollution by smelter at Vishakapatnam (liability of Rs. 274 lakhs for rehabilitation of Villagers was created in an earlier year on estimates.) | **Not ascertainable** | Not ascertainable |

3. Estimated amount of contracts remaining to be executed on capital account not provided for Rs. 9370.55 millons (2003: Rs. 164.98)
4. The title deeds are still to be executed in respect of 10.63 acres of free hold land at Vishakapatnam.
5. During the year the Company has charged to the profit and loss account unamortised voluntary retirement expenditure pertaining to the previous year as well as voluntary retirement expenses paid during the year. As a result of this charge in accounting policy the voluntary retirement expenditure charge for the year ended March 31, 2004 is higher by Rs. 1531.53 million and the profit after tax and exceptional items for the year is lower by Rs. 982.09 million.
6. During the year ended March 31, 2004 borrowing cost amounting Rs. 60.96 millions (2003 : Rs. Nil) and foreign exchange gain of Rs. 141.3 millions (2003: Rs. Nil) have been included under capital work in progress.
7. Matured fixed deposits of Rs. 08 millions due for payment to investor Education and Protection Fund have not been made in view of pending legal litigation between the beneficiaries.
8. **Earnings per share (EPS):**

| **Particulars** | **March 31, 2004** | March 31, 2003 |
|---|---|---|
| Net profit after taxation for the year (in Rs. Millions) | **4045.88** | 1421.52 |
| Weighted number of ordinary shares for Basic EPS | **422,531,900** | 422,531,900 |
| Nominal value of ordinary shares (in Rs.) | **10/-** | 10/- |
| Basic/Diluted earnings for ordinary shares (in Rs.) | **9.58** | 3.36 |

9. **Segment reporting**
The Company is engaged in the business of mining and smelting of zinc and lead and its operations are in a single segment as defined by Accounting Standard 17 – Segment reporting issued by institute of Chartered Accountants of India.
10. **Related Party disclosures :**
a. **Names of related parties and description of relation :**

| | | |
|---|---|---|
| i) Holding companies : | immediate: | Sterlite Opportunities and Ventures Limited |
| | Ultimate in India: | Sterilite Industries (India) Limited |
| | Ultimate in U.K. | Vedanta Resources Plc. U.K.* |
| ii) Fellow subsidiaries | | Bharat Aluminum Company Limited |
| | | Vedanta Alumina Limited* |
| | | Sterlite paper Limited* |
| | | Monte Cello BV* |
| | | Copper Mines of Tasmania Pty Limited* |
| | | Thalanga Copper Mines Pty Limited* |
| iii) Associate Companies | | Madras Aluminum Company Limited |
| | | India Foils Limited* |
| iv) Key Personnel | | Mr. K. K. Kaura, Managing Director |

*No transactions during the year

**b. Transactions with related parties :**

(Rs. Millions)

| Nature of transactions | Holding Company | | Fellow Subsidiaries | | Associate Companies | | Key Personnel | | Total Amount | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2004** | 2003 | **2004** | 2003 | **2004** | 2003 | **2004** | 2003 | **2004** | 2003 |
| Purchase of good | – | 0.29 | **27.88** | 11.78 | – | – | – | – | **27.88** | 12.07 |
| Sale of goods | – | – | **0.70** | – | – | – | – | – | **0.70** | – |
| Personnel Services | **47.32** | 12.62 | **(0.19)** | – | **0.95** | – | – | – | **48.08** | 12.62 |
| Apportionment of common group expenses | **124.87** | 107.00 | – | – | – | – | – | – | **124.87** | 107.00 |
| Dividend | **155.49** | – | – | – | – | – | – | – | **155.49** | – |
| Remuneration | – | – | – | – | – | – | **9.74** | 4.99 | **9.74** | 4.99 |
| Debtors balance as at March 31, | – | – | **0.31** | – | – | – | – | – | **0.31** | – |
| Creditors balance as at March 31, | – | – | **5.31** | – | – | – | – | – | **5.31** | – |

11. **Deferred taxes :**
Breakup of deferred tax assets/liabilities:

**(Rs. Millions)**

| **Particulars** | **2004** | 2003 |
|---|---|---|
| i) Deferred tax asset : | | |
| – Voluntary Retirement expenditure | **557.26** | 15.65 |
| – Provision for Contingencies | **120.82** | – |
| ii) Deferred tax Liability : | | |
| – Related to Fixed assets | **1315.84** | 1363.46 |
| – Expenditure on Mine development | **18.62** | 29.52 |
| Net deferred tax asset (liability) | **(656.38)** | (1377.33) |

12. Provision towards contingencies represents additional wheeling charges claimed by Transmission Corporation of Andhra Pradesh Limited, Hyderabad (APTRANSCO) towards transmission of power generated by Andhra Pradesh Gas Power Corporation Limited, Hyderabad.
13. Intangible assets represents Rs. 983.87 million (2003: Rs. 830.43) being long term investment in equity shares of Andhra Pradesh Gas Power Corporation Limited, Hyderabad which entitles the Company to draw power in Andhra Pradesh for its Vishakapatnam unit. This has been depreciated as a fixed asset. Depreciation for the year is Rs. 44.91 millions (2003: Rs. 98.61), cumulative Rs. 143.52 million (2003: Rs. 98.61)
14. The remuneration of Rs. 9.47 million (2003: Rs. 4.99) to the Managing Director is subject to shareholders approval.

## SCHEDULES TO THE BALANCE SHEET & PROFIT AND LOSS ACCOUNT

15. **DETAILS OF CAPACITY AND PRODUCTION ***

| Product | Unit | Installed capacity 2004 | Installed capacity 2003 | Actual production 2004 | Actual production 2003 |
|---|---|---|---|---|---|
| **MAIN PRODUCT** | | | | | |
| Zinc ingots | MT | **169000** | 169000 | **261226**** | 202828 |
| Lead ingots | MT | **43000** | 43000 | **25089** | 32542 |
| **BY PRODUCT** | | | | | |
| Silver | Kg. | **92800** | 92800 | **34666** | 47205 |
| Sulphuric acid | MT | **323000** | 323000 | **371422** | 331599 |
| Cadmium ingots | MT | **740** | 740 | **433** | 439 |
| Copper cathode | MT | **2100** | 2100 | **17** | 21 |

* As certified by management

** Includes 40,562 M.T of tolled zinc produced through outside smelters by conversion of own produced concentrate and net of internal consumption & transit shortages

**PARTICULARS REGARDING OPENING STOCK, SALES AND CLOSING STOCK OF GOODS PRODUCED**

(Qty. in MT except silver which is in Kg., Value Rs. in millions)

| | QUANTITY 2004 | QUANTITY 2003 | VALUE 2004 | VALUE 2003 |
|---|---|---|---|---|
| **OPENING STOCK** | | | | |
| Zinc ingots | **22839** | 24925 | **788.76** | 1093.62 |
| Lead ingots | **926** | 3306 | **31.76** | 119.36 |
| Silver | **3172** | 4149 | **22.37** | 30.04 |
| Sulphuric acid | **9373** | 9615 | **12.75** | 13.49 |
| Cadmium ingots | **80** | 150 | **6.75** | 5.94 |
| Copper cathode | **2** | 12 | **0.29** | 1.29 |
| Others | – | – | **3.18** | 11.39 |
| | | | **865.89** | 1275.12 |
| **SALES** | | | | |
| Zinc ingots | **259130** | 204914 | **16516.51** | 12378.11 |
| Lead ingots | **25489** | 34923 | **1081.55** | 1305.46 |
| Silver | **37838** | 48182 | **303.45** | 367.60 |
| Sulphuric acid | **367841** | 331841 | **556.25** | 377.99 |
| Cadmium ingots | **329** | 509 | **27.16** | 24.92 |
| Copper cathode | **2** | 30 | **0.29** | 3.53 |
| Others | – | – | **2304.92** | 1629.61 |
| | | | **20790.13** | 16087.22 |
| **CLOSING STOCK** | | | | |
| Zinc ingots | **24935** | 22839 | **860.64** | 788.76 |
| Lead ingots | **526** | 926 | **23.11** | 31.79 |
| Silver | – | 3172 | – | 22.37 |
| Sulphuric acid | **12954** | 9373 | **20.27** | 12.75 |
| Cadmium ingots | **184** | 80 | **13.39** | 6.75 |
| Copper cathode | **17** | 2 | **2.30** | 6.75 |
| Others | – | – | – | 3.18 |
| | | | **919.71** | 865.89 |

**16 : PARTICULARS OF CONSUMPTION OF CONCENTRATES, STORES, ETC.**

| | 2004 QUANTITY in MT | 2004 VALUE Rs.in millions | 2003 QUANTITY in MT | 2003 VALUE Rs.in millions |
|---|---|---|---|---|
| **1. a) Company's own products** | | | | |
| i) Zinc concentrate | **419301** | **2343.60** | 362571 | 2830.39 |
| ii) Lead concentrate | **38606** | **416.43** | 44726 | 581.93 |
| | | **2760.03** | | 3412.32 |
| **b) Bought out ore/concentrate** | | | | |
| i) Zinc concentrate | **3569** | **37.99** | 143 | 1.07 |
| **Total (a+b)** | | **2798.02** | | 3413.39 |

| | Value (Rs. in millions) 2004 | Value (Rs. in millions) 2003 | Percentage 2004 | Percentage 2003 |
|---|---|---|---|---|
| **2. i) Ore/concentrate** | | | | |
| Indigenous | **2760.70** | 3413.39 | **98.67** | 100.00 |
| Imported | **37.32** | 0.00 | **1.33** | 0.00 |
| | **2798.02** | 3413.39 | **100.00** | 100.00 |
| **ii) Stores & spares, components etc., consumed *** | | | | |
| Direct consumable | **1819.32** | 1674.23 | | |
| Repairs & maintenance | **415.21** | 494.64 | | |
| Power generation | **909.21** | 439.56 | | |
| Research and development | **4.42** | 3.56 | | |
| Others | **81.79** | 260.87 | | |
| | **3229.95** | 2872.88 | | |

* Breakup of indigenous & imported stores not ascertainable. The value mentioned is exclusive of stores issued for capital jobs.

**17: Payment made to / provided for Directors including Managing Director**

(Rs. in millions)

| | 2004 | 2003 |
|---|---|---|
| a) Salary and allowances | **8.51** | 7.43 |
| b) Contribution to PF, pension, gratuity, insurance, etc. | **0.96** | 0.83 |
| c) Medical reimbursement & leave travel concession | **0.27** | 0.17 |
| d) Directors' fees | **0.18** | 0.12 |
| | **9.92** | 8.55 |
| **18. CIF Value of imports** | | |
| Components, stores and spare parts | **181.17** | 81.92 |
| Capital goods | **67.86** | 361.54 |
| | **249.03** | 443.46 |
| **19. Expenditure in foreign currency** | | |
| **Know-how & supervision :-** | | |
| Technical know-how & Basic engineering | **5.92** | 1.56 |
| Travelling expenses | **0.84** | 0.95 |
| Others | **5.23** | 76.17 |
| **20. Earning in foreign exchange** | | |
| Export of goods on F.O.B. basis | **2216.16** | 1525.70 |

21. **Small scale industrial undertakings to whom Company owes as on balance sheet date any sum together with interest for more than 30 days:**

| S. No. | Name of party | S. No. | Name of party |
|---|---|---|---|
| 1 | Acharya Brothers | 10 | Swastic Industries |
| 2 | Bohra Industries | 11 | Sman Sanchar Sewa |
| 3 | Balaji Industrial Product | 12 | Bharat Chains And Conveyors |
| 4 | Earnest Gases Pvt. Limited | 13 | Bhagwati Engineers |
| 5 | Machine Well | 14 | Hindustan Foundry Products |
| 6 | Prakesh Timber Industries | 15 | Dharani Allyos |
| 7 | Premier Rubber Mills | 16 | GB Engineers |
| 8 | Precision Pnuernatic Product | 17 | Visakha Agro Chemical Products |
| 9 | Royal Pnuematic products | | |

22. Vedanta Resources Plc., United Kingdom, the ultimate holding Company is listed on the London Stock Exchange and for compliance with United Kingdom regulations, the Consolidated financial statements includes the restated financial statements of Hindustan Zinc Limited as per generally accepted accounting principles of the United Kingdom (UK GAAP).

23. Previous year's figures have been regrouped and rearranged, wherever necessary.

In tems of our report of even date

For **Deloitte Haskins & Sells**
*Chartered Accountants*

**(R. Raghavan)**
*Partner*
Membership No: 9483

Place : Mumbai
Date : June 14, 2004

**For and on behalf of the Board of Directors**

**K.K. Kaura**
*Managing Director*

**C.D. Arha**
*Chairman*

**C. Sankaran**
*Company Secretary*

## BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE
### (AS PER SCHEDULE VI, PART (IV) OF THE COMPANIES ACT, 1956)

(Amount in Rs. millions)

**I. Registration details**

| | | | |
|---|---|---|---|
| Registration No. | 1208 | State Code | 17 |
| Balance sheet date | 31.03.2004 | | |

**II. Capital raised during the year**

| | | | |
|---|---|---|---|
| Bonus issue | NIL | Rights issue | NIL |
| Public issue | NIL | Private placement | NIL |

**III. Position of mobilisation and deployment of funds**

| | | | |
|---|---|---|---|
| Total liabilities | 21803079 | Total assets | 21803079 |
| **Sources of funds :** | | **Application of funds :** | |
| Paid-up capital | 4225319 | Net fixed assets | 8918695 |
| Reserves & surplus | 10843420 | Investments | 6193254 |
| Secured loans | 6073880 | Net current assets | -4457710 |
| Unsecured loans | 4080 | Misc. expenditure | – |
| Deferred Tax | 656380 | Accumulated losses | – |

**IV. Performance of Company (Amount in Thousand)**

| | | | |
|---|---|---|---|
| Turnover | 19358820 | Total expenditure | 13511490 |
| Profit/Loss before tax | 5847330 | Profit/Loss after tax | 4045880 |
| Earning per share (Rs.) | 9.58 | Dividend Rate ( % ) | 14.00 |

**V. Generic names of principal products/services of Company**
(As in monetary terms)

| **Item code No. (ITC code)** | **Product description** |
|---|---|
| 79011200 | Zinc not alloyed containing by weight less than 99.99% zinc |
| 78011000 | Refined lead |

Date : Mumbai
Place : June 14, 2004

For and on behalf of the Board

**K.K. Kaura**
*Managing Director*

**C.D. Arha**
*Chairman*

**C. Sankaran**
*Company Secretary*

## CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2004

(Rs in millions)

| | | 2004 | | 2003 |
|---|---|---|---|---|
| **(A) CASH FLOW FROM OPERATING ACTIVITIES :** | | | | |
| Net profit before tax (PBT) | **5847.33** | | 2293.64 | |
| Adjustments for : | | | | |
| Depreciation & Amortisation | **751.74** | | 1012.30 | |
| Interest and finance charges | **7.45** | | 2.98 | |
| Interest earned | **(457.41)** | | (370.48) | |
| Profit on sale of fixed asset -net | **(44.73)** | | (18.13) | |
| VRS expenditure to the extent not written off | **2137.17** | | 599.97 | |
| Operating profit before working capital changes | **8241.55** | | 3520.28 | |
| Changes in working capital | | | | |
| Inventories | **(164.05)** | | 1365.86 | |
| Sundry Debtors | **(2106.04)** | | (71.47) | |
| Loans and Advances | **(311.74)** | | 236.56 | |
| Current Liabilities | **1188.13** | | (112.97) | |
| Cash generated from operations | **6847.85** | | 4938.26 | |
| Income taxes paid during the year | **(2255.38)** | | (699.88) | |
| Net cash from operating activities | | **4592.47** | | 4238.38 |
| **(B) CASH FLOW FROM INVESTING ACTIVITIES :** | | | | |
| Purchase of fixed assets | **(3098.08)** | | (705.02) | |
| Interest received | **454.99** | | 253.89 | |
| Purchase of Investments (net) | **(6193.25)** | | 0.00 | |
| Sale of fixed assets | **73.57** | | 31.78 | |
| Utilisation of Capital Grant | **(7.17)** | | (15.57) | |
| VRS expenses incurred | **(28.30)** | | (1544.74) | |
| Net cash used in investing activities | | **(8798.24)** | | (1979.66) |
| **(C) CASH FLOW FROM FINANCING ACTIVITIES :** | | | | |
| Net proceeds from borrowings | **6071.18** | | (30.85) | |
| Interest and finance charges paid | **(7.45)** | | (9.13) | |
| Dividend paid | **(380.92)** | | (213.34) | |
| Net cash from financing activities | | **5682.81** | | (253.32) |
| Net increase in cash and cash equivalents | | **1477.03** | | 2005.40 |
| **Cash and cash equivalents at end of the year** | | **4046.13** | | 2569.10 |
| **Cash and cash equivalents as at beginining of the year** | | **2569.11** | | 563.75 |
| | | **1477.03** | | 2005.40 |

**Note : Previous year's figures have been recasted/regrouped, wherever necessary.**

In tems of our report of even date

**For Deloitte Haskins & Sells**
*Chartered Accountants*

**(R. Raghavan)**
*Partner*
Membership No: 9483
Place : Mumbai
Date : June 14, 2004

For and on behalf of the Board

**K.K. Kaura**
*Managing Director*

**C.D. Arha**
*Chairman*

**C. Sankaran**
*Company Secretary*

# MONTE CELLO BV

*Annual Report 2003-2004*

## MANAGING DIRECTORS' REPORT

The management herewith submits the Financial Statements for the financial year ended March 31, 2004.

During the year under review, the Company recorded a net result of Euro 1,145,276 which is set out in detail in the attached Statement of Income & Expenses.

In composing these Financial Statements, generally accepted accounting principles and guidelines were applied.

Amsterdam, June 7th, 2004
NC Trust B.V.
Managing Director

## BALANCE SHEET MARCH 31, 2003-MARCH 31, 2004

### ASSETS

| | | 31-3-2004 EURO | 31-3-2004 INR* | 31-3-2003 EURO | 31-3-2003 INR* |
|---|---|---|---|---|---|
| **FIXED ASSETS :** | | | | | |
| Financial Fixed Assets : | | | | | |
| Investments | (1) | 17,527,693 | 930,720,551 | 17,527,693 | 902,010,137 |
| Loan receivable | (2) | | | 1,405,587 | 72,334,318 |
| Other receivables | (3) | 4,000 | 212,400 | – | – |
| | | 17,531,693 | 930,932,951 | 18,933,280 | 974,344,455 |
| **CURRENT ASSETS :** | | | | | |
| Cash at Bank | (4) | 5,338 | 283,448 | 10,575 | 544,211 |
| | | 5,338 | 283,468 | 10,575 | 544,211 |
| | | 17,537,032 | 931,216,399 | 18,943,855 | 974,888,666 |

### LIABILITIES & SHAREHOLDER'S EQUITY

| | | 31-3-2004 EURO | 31-3-2004 INR* | 31-3-2003 EURO | 31-3-2003 INR* |
|---|---|---|---|---|---|
| **SHAREHOLDER'S EQUITY:** | | | | | |
| Share capital | (5) | 18,151 | 963,818 | 18,151 | 934,087 |
| Share Premium | | 6,658,018 | 353,540,756 | 6,658,018 | 342,634,922 |
| Retained earnings | (6) | 2,268,011 | 120,431,384 | 1,122,735 | 57,778,189 |
| | | 8,944,180 | 474,935,958 | 7,798,904 | 401,347,198 |
| **LONG TERM LIABILITIES:** | | | | | |
| Loans payable | (7) | 8,586,199 | 455,927,167 | 11,108,332 | 571,656,981 |
| | | 8,586,199 | 455,927,167 | 11,108,332 | 571,656,981 |
| **LIABILITIES** | | | | | |
| Accounts Payable | (8) | 6,653 | 353,274 | 36,619 | 1,884,487 |
| | | 17,537,032 | 931,216,399 | 18,943,855 | 974,888,666 |

* The figures given in INR is by way of additional information, conversion rate 1 Euro - 53.1000 INR (Previous Year : 51.4620)

## STATEMENT OF INCOME AND EXPENSES

MARCH 31, 2003-MARCH 31, 2004

| | | 31-3-2004 EURO | 31-3-2004 INR* | 31-3-2003 EURO | 31-3-2003 INR* |
|---|---|---|---|---|---|
| **OPERATIONAL INCOME (EXPENSES)** | | | | | |
| General expenses | | (12,864) | (683,085) | (41,940) | (2,158,316) |
| Currency exchange result | (9) | 1,200,613 | 63,752,549 | 1,366,866 | 70,341,658 |
| | | 1,187,749 | 63,069,464 | 1,324,925 | 68,183,342 |
| **FINANCIAL INCOME (EXPENSES)** | | | | | |
| Interest income | | (105) | (5,570) | (6) | (309) |
| Bank Charges | | (2,358) | (125,210) | (2,979) | (153,305) |
| Interest Chartered Bank Singapore | (10) | (56,387) | (2,994,150) | (132,895) | (6,839,042) |
| Interest Loan Brockway | (11) | 10,767 | 571,728 | – | 0 |
| Interest Loan Ararat | | 5,611 | 297,893 | – | 0 |
| Net financial results | | (42,473) | (2,255,309) | (135,880) | (6,992,657) |
| Corporate Tax 1999 | | – | – | (44) | (2,264) |
| Corporate Tax 1999 | | – | – | (11) | (566) |
| Corporate Tax 2000 | | – | – | (13) | (669) |
| Corporate Tax 2001 | | – | – | (1,621) | (83,420) |
| Capital Tax | | – | – | (36,619) | (1,884,487) |
| | | – | – | (38,308) | (1,971,406) |
| **Net results** | | 1,145,276 | 60,814,155 | 1,150,739 | 59,219,330 |

## NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2003 - MARCH 31, 2004

**GENERAL**

The Company was incorporated on September 24, 1997.

The authorised share capital of the Company at March 31, 2004 , consists of 200 shares with a par value of Euro 453.78 each (Euro 90' 756.04). At March 31, 2003 40 shares were issued and fully paid.

These financial statements are prepared in accordance with Title 9, Book 2, of the Dutch Civil Code. Further, the financial statements of the Company are not consolidated with those of its subsidiaries as a result of the Article 408 exemption.

**ACCOUNTING PRINCIPLES**

**Assets and liabilities**

Unless stated otherwise, assets and liabilities have been stated at their historical cost, expressed in Euro's.

**Participations**

Participations in the subsidiaries are accounted for on the cost basis less any provision for diminution in value.

**Foreign currencies**

Assets and liabilities, denominated in foreign currencies, are translated into Euro's at the exchange rates in effect at balance sheet date.

Revenues and expenses, denominated in foreign currencies, are translated into Euro's at the exchange rates in effect on the transaction date. Resulting exchange differences are recognised in the Statement of Income and Expenses.

## NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2003 - MARCH 31, 2004

| | | % held | EURO 31-03-2004 | INR 31-03-2004 |
|---|---|---|---|---|
| **BALANCE SHEET** | | | | |
| 1. | **Investments** | | | |
| | Copper Mines of Tasmania Pty Ltd. Australia | 100% | 1 | 53 |
| | Thalanga Copper Mines Pty Ltd. Australia | 100% | 17,527,692 | 930,720,498 |
| | | | 17,527,693 | 930,720,551 |
| 2. | **Loans receivable** | | | |
| | – **Comprises loan with Ararat God Recovery Company** | | | |
| | Balance as per 02-05-2003 (USD600.000,-) | | 534,045 | 28,357,810 |
| | Payment as per 30-09-2003 USD 600,000,- | | (517,509) | (27,479,731) |
| | Payment as per 26.11.2003 (USD 400.000,-) | | 339,443 | 18,024,440 |
| | Payment as per 02.12.2003 USD 400.000,- | | (334,085) | (17,739,915) |
| | Revaluation loan | | (21,895) | (1,162,604) |
| | | | – | – |
| | **Comprises loan with Brockway Inc.** | | | |
| | Balance as per 31-03-2003 (USD1.500.000,-) | | 1,405,587 | 74,636,656 |
| | Payment as per 30-09-2003 USD1.500.000,- | | (1,293,773) | (68,699,327) |
| | Revaluation loan | | (111,814) | (5,937,329) |
| | | | – | – |
| | Total Loans Receivable 31-03-2004 | | – | – |
| 3. | **Other Receivables** | | | |
| | Sterlite Industries (India) Ltd. – part payment Inv 2003.080 | | 4,000 | 212,400 |
| 4. | **Cash at Bank** | | | |
| | Euro account with SNS Bank | | 277 | 14,709 |
| | USD-account with SNS Bank (USD 6.160,-) | | 5,061 | 268,739 |
| | | | 5,338 | 283,448 |
| 5. | **Share capital** | | | |
| | Authorised sharecapital | | 90,756 | 4,819,144 |
| | Shares in portfolio | | (72,605) | (3,855,326) |
| | Issued and fully paid-up capital | | 18,151 | 963,818 |
| 6. | **Retained earnings** | | | |
| | Balance as per March 31, 2003 | | 1,122,735 | 59,617,229 |
| | Net result for as per March 31, 2004 | | 1,145,276 | 60,814,155 |
| | Balance as per March 31, 2004 | | 2,268,011 | 120,431,384 |
| 7. | **Loans payable** | | | |
| | – **Comprises a loan with Sterlite Ind.** | | | |
| | Balance as per 31-03-2003 (USD 4.854.480,-) | | 4,548,928 | 241,548,103 |
| | Received from Sterlite Ind. on 30-04-2003 USD 600.000 | | 541,419 | 28,749,333 |
| | Received from Sterlite Ind. on 22-07-2003 USD 7.065,000.- | | 6,238,962 | 331,288,866 |
| | Received from Sterlite Ind. on 11-08-2003 USD 32.500,- | | 28,617 | 1,519,547 |
| | Paid to Sterlite Ind. - on 30-09-2003 USD 2.100.000, | | (1,811,282) | (96,179,058) |
| | Received from Sterlite Ind. on 27-11-2003 USD 400.000,- | | 335,065 | 17,791,925 |
| | Paid to Sterlite Ind. on 2-12-2003 USD 400.000,- | | (334,085) | (17,739,940) |
| | Revaluation loan | | (961,424) | (51,051,610) |
| | | | 8,586,199 | 455,927,167 |
| | – **Comprises a loan with Chartered Bank Singapore** | | | |
| | Balance as per 31-03-2003 (USD 7.000.000,-) | | 6,559,404 | 348,304,344 |
| | Payment towards loan 22-07-2003 USD 7.000.000,- | | (6,166,858) | (327,460,144) |
| | Revaluation Loan | | (392,546) | (20,844,201) |
| | | | – | – |
| | Total Loans Payable 31-03-2004 | | 8,586,199 | 455,927,167 |

| | Assets | EURO 31-03-2004 | INR 31-03-2004 |
|---|---|---|---|
| 8. | **Accounts Payable** | | |
| | PricewaterhouseCoopers | 4,974 | 264,119 |
| | Meeuwsen Ten Hoopen | 1,679 | 89,155 |
| | | 6,653 | 353,274 |
| | **Operational Income (Expenses)** | | |
| 9. | **Currency Exchange Result** | | |
| | USD Account | (19,649) | (1,043,362) |
| | Ararat Gold Recovery Company | (21,895) | (1,162,625) |
| | Brockway Inc | (111,814) | (5,937,323) |
| | Chartered Bank Singapore | 392,547 | 20,844,246 |
| | Loan Sterlite Ind | 961,424 | 51,051,613 |
| | | 1,200,613 | 63,752,549 |
| 10. | **Financial Income (Expenses)** | | |
| | Interest Chartered Bank Singapore Interest paid 22-07-2003 USD 64.005,- | 56,387 | 2,994,150 |
| | Interest Chartered Bank Singapore | 56,387 | 2,994,150 |
| 11. | **Interest Loan Brockway** | | |
| | – Interest paid 30-09-2003 | | |
| | – Average Libor = 1,25 | | |
| | 1% of USD 1'300'000 = USD 13'000 | | |
| | USD 13'000 / 365 = USD 35,62 | | |
| | USD 35,62 X 243 DAYS X 1,25 Libor = USD 10'818,49 | | |
| | 1% of USD 200'000 = USD 2'000 | | |
| | USD 2000 / 365 = USD 5,48 | | |
| | USD 5,48 X 243 DAYS X 1,25 Libor = USD 1'664,38 | | |
| | Total interest Brockway Inc in **Euro** | 10,767 | 571,728 |

## OTHER INFORMATION
MARCH 31, 2003 - MARCH 31, 2004

1. **Statutory provision regarding appropriation of result**

The profit shall be at the disposal of the Annual General Meeting of Shareholders. Profit distribution can only be made to the extent that Shareholder's Equity exceeds the issued and paid-up share capital and legal reserves.

2. **Proposed appropriation of net result**

The management proposes to accumulate the net result for the year to the Retained Earnings.

3. **Audit**

No audit has been performed in accordance with the statutory size exemption under Article 396, Title 9, Book 2, of the Dutch Civil Code.

# DIRECTORS' REPORT

Your Directors present their report together with the Financial Report of Copper Mines of Tasmania Pty Limited for the year ended 31 March, 2004 and the Auditor's report there on.

**DIRECTORS**

The following individuals were Directors of the Company during the whole of the financial year and up to the date of this report:

Mr. Anil Agarwal
Mr. Robert Tracy
Mr. Dindayal Jalan

**PRINCIPAL ACTIVITIES**

The Company's principal continuing activities during the financial year consisted of:

(a) Mining, processing and sale of copper concentrate, and

(b) Exploration for copper and other base metals at Mt. Lyell, Tasmania

**DIVIDENDS**

There were no dividends paid or declared during the financial year.

**REVIEW OF OPERATIONS**

A summary of revenues and results is set out below:

| | **March, 2004** | | March, 2003 | |
|---|---|---|---|---|
| | **$'000** | **INR'000** | $'000 | INR'000 |
| Revenue from operating activities | **69,189** | **2,288,129** | 76,321 | 2,186,742 |
| Other revenue | **305** | **10,086** | 908 | 26,016 |
| Total revenue | **69,494** | **2,298,215** | 77,229 | 2,212,758 |
| Operating loss for the financial year after income tax | **(1,575)** | **(52,086)** | (3,956) | (113,347) |

Comments on the operations and the results of those operations are set out below:

**OPERATING RESULTS**

A total of 2,674,987 tonnes of ore were mined and 2,496,651 tonnes at 1.24% copper grade were processed to produce 97,007 tonnes of copper concentrate at 29.21% copper during the year ended 31 March, 2004. An additional crusher was installed in February 2004 to increase the ore processing capacities during the year. This will also result in higher copper concentrate production and a reduction in operating costs.

Float cells in surface ore treatment plant will be replaced by December 2004 with a capital investment of A$ 1 Million, which will improve the copper recovery substantially.

The average copper price realisation for the year was US $2,057 per tonne, which was higher than the previous year ended 31 March, 2003 average of US $1,583. The average Australian to United States of America dollar cross currency conversion rate of AUD $0.70 during the year compared to $0.56 in the prior year, had a negative impact on the revenues of the company. The Company considers the outlook for copper prices to be positive for the year ahead with the anticipated economic recovery in United States of the America and the global economy.

**LIQUIDITY AND FUNDING**

We anticipate that the operations will generate a significant positive cash flow over the remainder of the known mine life.

**RISK MANAGEMENT**

The Company has entered into a frame contract for the sale of copper concentrates with Sterlite Industries (India) Limited. Terms are negotiable on an annual basis.

**SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS**

There were no significant changes in the Company's state of affairs during the financial year.

**MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL PERIOD**

There are no matters subsequent to the end of the financial year, which have had an impact on the operations and financial statements of the Company.

**LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS**

There were no likely developments in the Company's operations that were not finalised at the date of this report.

**COMPARATIVE FIGURES**

The comparative figures used in these financial statements are for the previous financial year and they are directly comparable to the figures presented for the year.

**ENVIRONMENTAL REGULATION**

The Company is subject to environmental regulations and operates under licence. The Company is guided by the Environment Management and Pollution Control Act, 1994. The land use permit conditions are contained in the Environment Protection Notice (EPN) No. 308/1. The Environmental Management Plan was completed in March 1998 and together with the Act and EPN, is the basis for the management of all environmental aspects of the mining leases. The Company has been relieved of any environmental obligation in relation to any contamination, pollutants or pollution caused by past operations prior to acquisition of the Company by Monte Cello BV (i.e., prior to 1 April, 1999).

During the financial year there were no major breaches of license conditions. Internal environmental audits were conducted during the financial year.

**INSURANCE OF OFFICERS AND AUDITORS**

During the year the Company paid a premium to insure the Directors and other officers of the Company.

The liabilities insured are civil proceedings that may be brought against the officers in their capacity as officers of the Company and the legal costs that may be incurred in defending such proceedings.

The Company has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor.

**PROCEEDINGS ON BEHALF OF THE COMPANY**

No person has applied to the Court under Section 237 of the Corporations Act, 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under Section 237 of the Corporations Act, 2001.

**EXPLANATION TO NOTE IN AUDITOR'S REPORT**

The auditors, in their report to the members of the Company, have expressed uncertainty regarding the going concern of the Company on the basis of the current year losses and also since the total liabilities of the Company exceed total assets as detailed in Note 1 (c) to the financial statements.

The Company is expected to be profitable for the next 4 years and it is expected that the mine would generate significant cash flows considering the improvement in operations. Copper prices are also expected increase further considering the shortage of copper availability in the global market. The Directors also believe that there will not be need for significant funding from the ultimate parent Company, Sterlite Industries (I) Ltd, which has confirmed financial support to the Company.

As regards to the Asset/Liability match of the company, it is to be noted that the total liabilities include a loan of A$106 million payable to Monte Cello Corporation NV which is a subordinated loan (refer Note 12 to the financial statements) and the net assets would be positive if this loan was not considered.

**ROUNDING OF AMOUNTS**

The company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities & Investments Commission, relating to the "rounding off" of amounts in the Directors' report. Amounts in the Directors' report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

**AUDITORS**

During the year the Company changed its external auditor from KPMG to Deloitte Touche Tohmatsu.

Deloitte Touche Tohmatsu was appointed in accordance with Section 327 of the Corporations Act, 2001.

This report is made in accordance with a resolution of the Directors and made pursuant to S298(2) of the Corporate Act, 2001.

On behalf of the Directors

**ROBERT TRACY**
*Director*

Date: 31 May, 2004

# INDEPENDENT AUDIT REPORT TO THE MEMBERS OF COPPER MINES OF TASMANIA PTY LIMITED

**SCOPE**

*The financial report and Directors' responsibility*

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the Directors' declaration for Copper Mines of Tasmania Pty Limited, for the financial year ended 31 March, 2004 as set out on pages 6 to 25.

The Directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act, 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

*Audit approach*

We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the Company. Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal controls, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with the Corporations Act, 2001 and Accounting Standards and other mandatory professional reporting requirements in Australia so as to present a view which is consistent with our understanding of the company's financial position, and performance as represented by the results of its operations and its cash flows.

Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates made by the Directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

The audit opinion expressed in this report has been formed on the above basis.

**INDEPENDENCE**

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act, 2001.

**AUDIT OPINION**

In our opinion, the financial report of Copper Mines of Tasmania Pty Limited is in accordance with:

(a) the Corporations Act, 2001, including:

  (i) giving a true and fair view of the Company's financial position as at 31 March, 2004 and of its performance for the year ended on that date; and

  (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

(b) other mandatory professional reporting requirements in Australia.

**INHERENT UNCERTAINTY REGARDING CONTINUATION AS A GOING CONCERN**

Without qualification to the opinion expressed above, attention is drawn to the following matter. As a result of the matters described in Note 1(c), there is uncertainty whether the Company will be able to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

DELOITTE TOUCHE TOHMATSU

**STEVEN HERNYK**
*Partner*
Chartered Accountants
Launceston,
Dated : June 1, 2004

# DIRECTORS' DECLARATION

1. In the opinion of the Directors of Copper Mines of Tasmania Pty Limited the financial statements and notes set out on pages 7 to 25
   i) give a true and fair view of the financial position of the Company as at 31 March 2004 and of its performance, as represented by the results of its operations and its cash flows for the financial year ended on that date;
   ii) comply with Accounting Standards;
   iii) are in accordance with the Corporations act 2001, and
2. In the opinion of the Directors of copper Mines of Tasmania Pty Limited, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of Directors made pursuant to S295(5) of the Corporations Act, 2001.

On behalf of the Directors

**ROBERT TRACY**
*Director*

Dated: 31 May, 2004

## STATEMENT OF FINANCIAL PERFORMANCE FOR THE FINANCIAL YEAR ENDED 31 MARCH, 2004

| | Notes | 31 March, 2004 $'000 | 31 March, 2004 INR'000* | 31 March, 2003 $'000 | 31 March, 2003 INR'000* |
|---|---|---|---|---|---|
| **Revenue from ordinary activities** | 2 | 69,494 | 2,298,215 | 77,229 | 2,212,758 |
| Changes in inventories of finished goods and work in progress | | 6,882 | 227,593 | (2,851) | (81,687) |
| Raw material and consumables used | | (8,602) | (284,474) | (8,363) | (239,616) |
| Employee benefit expenses | | (6,722) | (222,301) | (7,230) | (207,153) |
| Depreciation and amortisation expenses | 3 | (7,946) | (262,780) | (8,111) | (232,396) |
| Mining and milling cost | | (41,779) | (1,381,661) | (43,344) | (1,241,888) |
| Borrowing costs | 3 | (93) | (3,076) | (161) | (4,613) |
| Other expenses from ordinary activities | | (12,809) | (423,603) | (11,125) | (318,725) |
| **Loss from ordinary activities before income tax benefit** | | (1,575) | (52,086) | (3,956) | (113,347) |
| Income tax benefit | 4 | – | – | – | – |
| **Net loss** | | (1,575) | (52,086) | (3,956) | (113,347) |
| **Total change in equity other than those resulting from transactions with owners as owners** | | (1,575) | (52,086) | (3,956) | (113,347) |

*The statement of financial performance is to be read in conjunction with the notes to the financial statements set on pages 10 to 25.*

## STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH, 2004

| | Notes | 31 March, 2004 $'000 | 31 March, 2004 INR'000* | 31 March, 2003 $'000 | 31 March, 2003 INR'000* |
|---|---|---|---|---|---|
| **Current assets** | | | | | |
| Cash assets | | 2,502 | 82,743 | 1,739 | 49,826 |
| Receivables | 5 | 9,596 | 317,346 | 11,230 | 321,761 |
| Inventories | 6 | 12,949 | 428,232 | 6,483 | 185,750 |
| Other | 7 | 505 | 16,701 | 292 | 8,366 |
| **Total current assets** | | 25,552 | 845,022 | 19,744 | 565,703 |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 8 | 35,651 | 1,179,004 | 39,924 | 1,143,898 |
| **Total non-current assets** | | 35,651 | 1,179,004 | 39,924 | 1,143,898 |
| **Total assets** | | 61,203 | 2,024,026 | 59,668 | 1,709,601 |
| **Current liabilities** | | | | | |
| Payables | 9 | 7,477 | 247,270 | 6,895 | 197,555 |
| Interest bearing liabilities | 10 | 131 | 4,332 | 1,453 | 41,631 |
| Provisions | 11 | 727 | 24,042 | 542 | 15,529 |
| Non-interest bearing liabilities | 12 | 1,878 | 62,107 | 1,916 | 54,897 |
| **Total current liabilities** | | 10,213 | 337,751 | 10,806 | 309,612 |
| **Non-current liabilities** | | | | | |
| Interest bearing liabilities | 10 | – | – | 143 | 4,097 |
| Provisions | 11 | 6,502 | 215,026 | 6,401 | 183,401 |
| Non-interest bearing liabilities | 12 | 133,267 | 4,407,233 | 129,522 | 3,711,051 |
| **Total non-current liabilities** | | 139,769 | 4,622,259 | 136,066 | 3,898,549 |
| **Total liabilities** | | 149,982 | 4,960,010 | 146,872 | 4,208,161 |
| **Net liabilities** | | (88,779) | (2,935,984) | (87,204) | (2,498,560) |
| **Equity** | | | | | |
| Contributed equity | 13 | – | – | – | – |
| Accumulated losses | 14 | (88,779) | (2,935,984) | (87,204) | (2,498,560) |
| **Accumulated deficit** | | (88,779) | (2,935,984) | (87,204) | (2,498,560) |

*The statement of financial position is to be read in conjunction with the notes to the financial statements set on pages 10 to 25.*

## STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 MARCH, 2004

| | Notes | 31 March, 2004 $'000 | 31 March, 2004 INR'000* | 31 March, 2003 $'000 | 31 March, 2003 INR'000* |
|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | |
| Receipts from customers | | 72,231 | 2,388,730 | 65,851 | 1,886,756 |
| Payments to suppliers and employees | | (70,249) | (2,323,184) | (68,676) | (1,967,698) |
| Interest received | | 115 | 3,803 | 480 | 13,753 |
| Receipts from commodity hedging activities | | – | – | 7 | 201 |
| Other revenue | | 191 | 6,317 | 277 | 7,937 |
| Borrowing costs | | (93) | (3,076) | (161) | (4,613) |
| **Net cash inflow from operating activities** | 23 | 2,195 | 72,590 | (2,222) | (63,665) |
| **Cash flows from investing activities** | | | | | |
| Payments for property, plant and equipment | | (1,732) | (57,278) | (1,987) | (56,932) |
| Exploration and development expenditure | | (1,961) | (64,852) | (1,095) | (31,374) |
| **Net cash outflow from investing activities** | | (3,693) | (122,130) | (3,082) | (88,306) |
| **Cash flows from financing activities** | | | | | |
| Repayment of lease liabilities | | (195) | (6,449) | (189) | (5,415) |
| Repayment of loan to related party | | – | – | (1,423) | (40,772) |
| Loan advanced from related party | | 5,623 | 185,957 | 8,191 | 234,688 |
| Repayment of borrowings | | (3,167) | (104,735) | (761) | (21,804) |
| **Net cash inflow from financing activities** | | 2,261 | 74,773 | 5,818 | 166,697 |
| **Net increase in cash held** | | 763 | 25,233 | 514 | 14,727 |
| Cash at the beginning of the financial year | | 1,739 | 57,510 | 1,225 | 35,099 |
| **Cash at the end of the financial year** | | 2,502 | 82,743 | 1,739 | 49,826 |

*The statement of cash flows is to be read in conjunction with the notes to the financial statements set on pages 10 to 25.*

* *The figures given in INR is by way of additional information Conversion rate 1 Aus$ = 33.0707 INR. (Previous Year : 28.6519)*

# NOTES TO THE FINANCIAL STATEMENTS
## FOR THE FINANCIAL YEAR ENDED 31 MARCH, 2004

**1. Statement of significant accounting policies**

The significant policies which have been adopted in the preparation of this financial report are:

**(a) Basis of preparation**

The financial report of the Company has been drawn up as a general purpose financial report.

It has been prepared on the basis of historical costs and except where stated, does not take into account changing money values or fair values of non-current assets.

These accounting policies have been consistently applied and, except where there is a change in accounting policy, are consistent with those of the previous year.

**(b) Financial reporting framework**

The financial report has been prepared in accordance with the requirements of the Corporations Act 2001, the recognition and measurement aspects of all applicable Accounting Standards and other mandatory professional reporting requirements (Urgent Issues Group Consensus Views).

**(c) Matters regarding going concern**

The financial report has been prepared on the basis that the Company is a going concern, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business. The Company has reported a loss from ordinary activities after income tax of $1,575,000 (INR 52,086,353) for the financial year ended 31 March, 2004 and there was a deficiency in net assets of $88,779,000 (INR 2,935,983,675) at 31 March, 2004.

The major reason for the loss from ordinary activities after income tax for the year was lower production due to moisture and also lower sales realisations due to strengthening of Australian dollar. Second quaternary crusher has been installed in February 2004 to overcome the moisture problem and enhance the milling capacity. The steep increase in copper prices from January 2004 is expected to remain in place in the medium to long term and having consideration to the positive cash flows from operations for the year and the financial projections for the next four years, the Directors believe that there will not be a need for significant funding from the parent entity, Sterlite Industries (India) Ltd.

In relation to the net asset deficiency of the Company at 31 March 2004, the Directors note that total liabilities include a loan of $105,904,000 (INR 3,502,319,413) payable to Monte Cello Corporation NV, a related company, which is a subordinated loan (refer note 12 to the financial statements). If the subordinated loan were excluded from total liabilities, the Company would have a surplus of total assets over total liabilities.

In addition, the Company has obtained a letter of financial support from its parent entity, Sterlite Industries (India) Ltd, confirming that it accepts responsibility of providing, and undertakes to provide, sufficient financial assistance to the Company as and when it is needed to enable the Company to continue its operations and fulfil all of its financial obligations now and in the future. This undertaking is provided for a minimum period of eighteen months from 31 December, 2003. As a result of the confirmation of financial support from the parent entity, the directors believe the Company has the ability to pay its debts as and when they fall due.

Accordingly, the ability of the Company to pay its debts as and when they fall due and the appropriateness of adopting a going concern basis of accounting is largely dependent upon continuing financial support from its parent.

If the Company is unable to continue as a going concern it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different from those stated in the financial report. No adjustments have been made to the financial report relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the company not continue as a going concern.

**(d) Income tax**

The entity adopts the income statement liability method of tax effect accounting.

Income tax expense is calculated on operating profit adjusted for permanent differences between taxable and accounting income. The tax effect of timing differences, which arise from items being brought to account in different periods for income tax and accounting purposes, is carried forward in the statement of financial position as a future income tax benefit or a provision for deferred income tax.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits relating to tax losses are only brought to account when their realisation is virtually certain. The tax effects of capital losses are not recorded unless realisation is virtually certain.

**(e) Foreign currency translation**

Foreign currency transactions are initially translated into Australian currency at the rate of exchange at the date of the transaction. At balance date amounts payable and receivable in foreign currencies are translated to Australian currency at rates of exchange current at that date. Resulting exchange differences are recognised in determining the profit or loss for the year.

**(f) Acquisitions of assets**

The purchase method of accounting is used for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their market price as at the acquisition date. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

**(g) Revenue recognition**

Revenues are recognised at fair value of the consideration received net of the amount of goods and services tax (GST) payable to the taxation authority.

*(i) Sale of goods*

Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid. Revenue from copper concentrate is recognised as revenue when, but only when, there has been a passing of risk to the customer, and

- The product is in a form suitable for delivery in the form agreed with the customer;
- The quantity and quality of the product can be determined with reasonable accuracy; and
- The selling price can be determined with reasonable accuracy.

Sales revenue represents proceeds receivable from the customer. Sales are initially recognised at the provisional sales value when the product is sold. Adjustments are made for variations in copper, precious metal prices and currency as per agreed terms and for assay and weight as per final assays.

*(ii) Interest revenue*

Interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset.

*(iii) Sale of non-current assets*

The gross proceeds of non-current asset sales are included as revenue at the date control of the asset passes to the buyer, usually when an unconditional contract of sale is signed.

The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal.

**(h) Inventories**

*(i) Ore and concentrate*

Inventories of mined ore, concentrate and work in process are physically measured or estimated and valued at the lower of cost and net realisable value.

Cost includes direct materials, labour and transportation expenditure in getting such inventories to their existing location and condition, together with an appropriate portion of fixed and variable overhead expenditure, based on weighted average costs incurred during the period in which such inventories were produced.

Net realisable value is the amount estimated to be obtained from sale of the item of inventory in the normal course of business, less any anticipated costs to be incurred prior to its sale.

To the extent to which more than one finished product is obtained from the mineral resource ("joint products") all joint production costs are apportioned between the resulting finished products by reference to their estimated net realisable value at the point where those joint products become physically separated.

(ii) *Stores and consumables*
Inventories of consumable supplies and spare parts expected to be used in production are valued at weighted average cost. Obsolete or damaged inventories are valued at net realisable value through the recognition of an impairment write down. A regular and ongoing review is undertaken to establish the extent of surplus items, and an impairment write down is made for any potential loss on their disposal.

**(i) Recoverable amount of non-current assets**
Where the carrying amount of a non-current asset is greater than its recoverable amount, the asset is written down to its recoverable amount. Where net cash inflows are derived from a group of assets working together, the recoverable amount is determined on the basis of the relevant group of assets. The decrement in the carrying amount is recognised as an expense in the statement of financial performance in the reporting period in which the recoverable amount write-down occurs.

In assessing recoverable amounts of non-current assets, the relevant cash flows have not been discounted to their present value.

**(j) Project exploration, evaluation and development expenditure**
Expenditure incurred during exploration and the early stages of evaluation of new areas of interest within the development area are written off as incurred. Where a geological resource has been identified all subsequent acquisition, exploration and evaluation expenditure within that area of interest will be capitalised where there is reasonable probability that such expenditure will be recouped through successful development and exploration of the area of interest or alternatively by its sale. In addition, the directors regularly review and revalue the carrying value of the areas of interest. Where it is decided to abandon an area of interest, costs carried forward in respect of that area are written off in full in the year in which the decision is taken.

**(k) Depreciation of property, plant and equipment**
The cost of each item of buildings, machinery and equipment is written-off over its expected useful life to the company. Either units-of-production (tonnes of ore produced) or the straight-line method is used, dependent on the class of asset.

The unit-of-production basis results in an amortisation charge proportional to the depletion of the economically recoverable reserves. Each item's economic life has due regard to both its own physical life limitations and to present assessments of economically recoverable reserves of the mine property at which the item is located, and to possible future variations in those assessments. Estimates of remaining useful lives are made on a regular basis for all mine buildings, machinery and equipment, with annual reassessments for major items.

The expected useful lives are as follows:

| | |
|---|---|
| Buildings | 20 years |
| Plant & Equipment | 2-10 years |

Where items of plant and equipment have separately identifiable components, which are subject to regular replacement, those components are assigned useful lives distinct from the item of plant and equipment to which they relate.

Major spares purchased specifically for particular plant are capitalised and depreciated on the same basis as the plant to which they relate.

**(l) Leased non-current assets**
A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased non-current assets, and operating leases under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the interest expense.

The lease asset is amortised on a straight-line basis over the term of the lease, or where it is likely that the company will obtain ownership of the asset, the life of the asset. Lease assets held at the reporting date are being amortised over periods ranging from 2 to 5 years.

Lease payments are allocated between interest (calculated by applying the interest rate implicit in the lease to the outstanding amount of the liability), rental expense and reduction of the liability.

Other operating lease payments are charged to the statement of financial performance in the periods in which they are incurred, as this represents the pattern of benefits derived from the leased assets.

**(m) Trade and other payables**
These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial period and which are unpaid. The amounts are unsecured and are usually paid within 45 days of recognition.

**(n) Interest bearing liabilities**
Loans are carried at their principal amounts, which represent the present value of future cash flows associated with servicing the debt. Interest is accrued over the period it becomes due and is recorded as part of other creditors.

**(o) Maintenance and repairs**
The Company's plant is required to be overhauled on a regular basis. This is managed as part of an ongoing major cyclical maintenance program. The costs of this maintenance are charged as expenses as incurred, except where they relate to the replacement of a component of an asset, in which case the costs are capitalised and depreciated. Other routine operating maintenance, repair costs and minor renewals are also charged as expenses as incurred.

**(p) Royalties and other mining imposts**
The Company has enjoyed an exemption from royalty liabilities up to 31 March 2004 as per the Heads of Agreement entered into with the Government of Tasmania. The Company is liable for royalty payments from 1 April 2004 onwards.

**(q) Employee benefits**
Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of wages and salaries, annual leave and long service leave expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of wages and salaries, annual leave and long service leave which are not expected to be settled within 12 months, are measured at the present value of the estimated future cash outflows to be made by the Company in respect of services provided by employees up to reporting date.

**(r) Rehabilitation provision**
Expenditures relating to ongoing rehabilitation and restoration programmes are provided for or charged to costs of production if incurred whilst the mine is operating. Other restoration costs relating to work that will be carried out after mine closure, are provided over the life of the mine. The estimated costs are reassessed at least every six months. The expenditure and accruals include the costs of labour, materials and equipment required to rehabilitate disturbed areas, to remove the plant and equipment and for subsequent environmental monitoring. The estimates are not discounted and are based on current costs, legislative and community requirements and technology.

The company has set up provisions for all known environmental liabilities in accordance with Australian GAAP. While the directors believe that, based upon current information, its current provisions are appropriate, there can be no assurance that new information or regulatory requirements with respect to known sites or the identification of new remedial obligations at other sites will not require additional future provisions for environmental remediation and such provisions could be material.

**(s) Borrowing costs**
Borrowing costs are recognised as expenses in the period in which they are incurred.

**(t) Cash assets**
For purposes of the statement of cash flows, cash includes deposits at call which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts.

**(u) Rounding of amounts**
The Company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities & Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

**(v) Changes in Accounting Policies**
In accordance with AASB 1028 "Employee Benefits", on 1 April, 2003 the Company changed its policy for recognising provisions for annual leave. Under the new policy the amount of the provision is calculated using the remuneration rate expected to apply at the time of settlement, rather than the remuneration rate that applies at the reporting date. No adjustments have been made to opening retained earnings as a consequence of the change in accounting policy as the amount is insignificant and has been recorded in the current year net profit.

**2. Revenue from ordinary activities**

| | 31 March, 2004 $'000 | 31 March, 2004 INR'000 | 31 March, 2003 $'000 | 31 March, 2003 INR'000 |
|---|---|---|---|---|
| **Revenue from operating activities** | | | | |
| Sale of goods | 69,189 | 2,288,129 | 76,321 | 2,186,742 |
| | 69,189 | 2,288,129 | 76,321 | 2,186,742 |
| **Revenue from other activities** | | | | |
| Interest | 115 | 3,803 | 480 | 13,753 |
| Other | 191 | 6,317 | 277 | 7,937 |
| Commodity hedging gains (net) | – | – | 7 | 201 |
| Foreign exchange gains (net) | (1) | (33) | 144 | 4,126 |
| | 305 | 10,087 | 908 | 26,017 |
| Revenue from ordinary activities | 69,494 | 2,298,215 | 77,229 | 2,212,758 |

**3. Profit/(Loss) from ordinary activities**

**Net gains and expenses**

Loss from ordinary activities before income tax benefit includes the following specific net gains and expenses:

| | 31 March, 2004 $'000 | 31 March, 2004 INR'000 | 31 March, 2003 $'000 | 31 March, 2003 INR'000 |
|---|---|---|---|---|
| **Net exchange gains and losses** | | | | |
| Commodity hedging gains | – | – | 7 | 201 |
| Exchange gains/(losses) on foreign currency borrowings (net) | (1) | (33) | 144 | 4,126 |
| **Expenses** | | | | |
| Cost of sales of goods | 63,029 | 2,084,413 | 72,814 | 2,086,259 |
| Bad debt provision | – | – | 99 | 2,837 |
| **Depreciation** | | | | |
| Buildings | 4 | 132 | 4 | 115 |
| Plant and equipment | 4,267 | 141,113 | 3,994 | 114,435 |
| Total depreciation | 4,271 | 141,245 | 3,998 | 114,550 |
| **Amortisation** | | | | |
| Plant and equipment under finance leases | 127 | 4,200 | 132 | 3,782 |
| Mine development | 3,548 | 117,335 | 3,981 | 114,064 |
| Total amortisation | 3,675 | 121,535 | 4,113 | 117,846 |
| **Total depreciation and amortisation** | 7,946 | 262,780 | 8,111 | 232,396 |
| **Borrowing costs** | | | | |
| Interest and finance charges paid/payable | 93 | 3,076 | 161 | 4,613 |
| **Employee benefits** | | | | |
| Leave provisions | (98) | (3,241) | 272 | 7,793 |
| **Rental expense relating to operating leases** | | | | |
| Minimum lease payments | 205 | 6,779 | 133 | 3,811 |
| **Inventory** | | | | |
| Net realisable value write down | 481 | 15,907 | 353 | 10,114 |

**4. Income tax**

The income tax benefit for the financial year differs from the amount calculated on the loss. The differences are reconciled as follows:

| | 31 March, 2004 $'000 | 31 March, 2004 INR'000 | 31 March, 2003 $'000 | 31 March, 2003 INR'000 |
|---|---|---|---|---|
| Loss from ordinary activities before income tax expense | (1,575) | (52,086) | (3,956) | (113,347) |
| Income tax calculated @ 30% | (473) | (15,642) | (1,187) | (34,004) |
| **Permanent Differences** | | | | |
| Non-deductible Expenses | 2 | 66 | 6 | 172 |
| Future income tax benefits in relation to timing differences not booked | 1,207 | 39,916 | 1,181 | 33,838 |
| Future Income Tax Benefit not previously recognised, now brought to account | (736) | (24,340) | – | – |
| | 473 | 15,642 | 1,187 | 34,010 |
| **Aggregate income tax expense/(benefit)** | – | – | – | – |

a) At 31 March, 2004 the company had income tax losses available of which the potential benefits have not been brought to account as the directors do not believe the realisation of future income tax benefits is virtually certain.

b) There is no future income tax benefit being carried in the financial statements which relate to tax losses.

| | 31 March, 2004 $'000 | 31 March, 2004 INR'000 | 31 March, 2003 $'000 | 31 March, 2003 INR'000 |
|---|---|---|---|---|
| The Directors estimate that the potential future income tax benefit at 31 March, 2004 in respect of tax losses not brought to account is | 15,175 | 501,848 | 15,910 | 455,852 |

This benefit for tax losses will only be obtained if:

a) the Company derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised, or

b) the Company continues to comply with the conditions for deductibility imposed by tax legislation, and no changes in tax legislation adversely affect the company in realising the benefit from the deductions for the losses.

**Tax Consolidation Note**

As of 31 March, 2004, the company had not made a decision to implement the tax consolidation legislation.

The Company is eligible to form a multiple entry consolidated group with Thalanga Copper Mines Pty Ltd as both companies are wholly owned subsidiaries of Sterlite Industries (India) Limited, a foreign parent Company. The Company does not have its own tax consolidatable group.

The financial effect, if any, of subsequent implementation of the legislation has not been quantified.

| | 31 March, 2004 $'000 | 31 March, 2004 INR'000 | 31 March, 2003 $'000 | 31 March, 2003 INR'000 |
|---|---|---|---|---|
| **5. Receivables** | | | | |
| Trade receivables | 8,878 | 293,602 | 10,565 | 302,707 |
| Other receivables | 718 | 23,745 | 665 | 19,054 |
| | 9,596 | 317,347 | 11,230 | 321,761 |
| **6. Inventories** | | | | |
| Stores and consumables – at cost | 3,342 | 110,522 | 3,277 | 93,892 |
| Less: net realisable value impairment write down | (976) | (32,277) | (495) | (14,183) |
| | 2,366 | 78,245 | 2,782 | 79,709 |
| Work in progress (ROM) – at cost | 4,873 | 161,153 | 1,080 | 30,944 |
| Finished goods (concentrate) – at cost | 5,710 | 188,834 | 2,621 | 75,097 |
| | 12,949 | 428,232 | 6,483 | 185,750 |
| **7. Other assets** | | | | |
| Deposit | 338 | 11,178 | 154 | 4,412 |
| Prepayments | 167 | 5,523 | 138 | 3,954 |
| | 505 | 16,701 | 292 | 8,366 |
| **8. Property, plant and equipment** | | | | |
| **Land and buildings** | | | | |
| Freehold land – at cost | 289 | 9,557 | 289 | 8,280 |
| Buildings – at cost | 65 | 2,150 | 65 | 1,862 |
| Less: accumulated depreciation | (16) | (529) | (12) | (344) |
| | 49 | 1,621 | 53 | 1,519 |
| Total land and buildings | 338 | 11,178 | 342 | 9,799 |
| **Mine reserves and development** | | | | |
| Mine reserves and development - at cost | 28,383 | 938,646 | 26,779 | 767,269 |
| Less: accumulated amortisation | (15,859) | (524,468) | (12,311) | (352,734) |
| Total mine reserves and development | 12,524 | 414,178 | 14,468 | 414,535 |
| **Plant and equipment** | | | | |
| Leased plant and equipment - at cost | 690 | 22,819 | 722 | 20,687 |
| Less: accumulated amortisation | (412) | (13,625) | (297) | (8,510) |
| Total leased plant and equipment | 278 | 9,194 | 425 | 12,177 |
| Other plant and equipment - at cost | 43,394 | 1,435,070 | 42,047 | 1,204,726 |
| Less: accumulated depreciation | (23,449) | (775,475) | (19,182) | (549,601) |
| Total plant and equipment | 19,945 | 659,595 | 22,865 | 655,126 |
| **Development in progress** - at cost | 1,666 | 55,096 | 1,309 | 37,505 |
| **Capital work in progress** - at cost | 900 | 29,764 | 515 | 14,756 |
| Total property, plant and equipment | 35,651 | 1,179,005 | 39,924 | 1,143,898 |

**8. Property, plant and equipment (continued)**

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current financial year are set out below.

| | Freehold Land | | Land and Buildings | | Mine reserve and development | | Plant and equipment | | Development in progress | | Capital Work in Progress | | Leased plant and equipment | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | $'000 | INR'000 | $'000 | INR'000 | $'000 | INR'000 | $'000 | INR'000 | $'000 | INR'000 | $'000 | INR'000 | $'000 | INR'000 | $'000 | INR'000 |
| Carrying amount at 1 April, 2003 | 289 | 9,557 | 53 | 1,753 | 14,468 | 478,467 | 22,865 | 756,162 | 1,309 | 43,290 | 515 | 17,031 | 425 | 14,055 | 39,924 | 1,320,315 |
| Additions | – | – | – | – | 1,604 | 53,045 | 1,347 | 44,546 | 357 | 11,806 | 385 | 12,732 | – | – | 3,693 | 122,130 |
| Disposals | – | – | – | – | – | – | – | – | – | – | – | – | (20) | (661) | (20) | (661) |
| Depreciation/amortisation expense | – | – | (4) | (132) | (3,548) | (117,335) | (4,267) | (141,113) | – | – | – | – | (127) | (4,200) | (7,946) | (262,780) |
| Carrying amount at 31 March, 2004 | 289 | 9,557 | 49 | 1,621 | 12,524 | 414,177 | 19,945 | 659,595 | 1,666 | 55,096 | 900 | 29,763 | 278 | 9,194 | 35,651 | 1,179,004 |

| | 31 March, 2004 | | 31 March, 2003 | |
|---|---|---|---|---|
| | $'000 | INR'000 | $'000 | INR'000 |
| **9. Payables** | | | | |
| Trade payables | 4,780 | 158,078 | 5,606 | 160,623 |
| Other payables | 2,697 | 89,192 | 1,289 | 36,932 |
| | 7,477 | 247,270 | 6,895 | 197,555 |
| **10. Interest bearing liabilities** | | | | |
| **Current** | | | | |
| **Secured** | | | | |
| Lease liability | 131 | 4,332 | 203 | 5,816 |
| Citibank loan | – | – | 1,250 | 35,815 |
| | 131 | 4,332 | 1,453 | 41,631 |
| **Non-current** | | | | |
| **Secured** | | | | |
| Lease liability | – | – | 143 | 4,097 |
| | – | – | 143 | 4,097 |
| **Secured Liabilities** | | | | |
| Total secured liabilities are: | | | | |
| Lease liabilities | 131 | 4,332 | 346 | 9,914 |
| Citibank loan (interest bearing) | – | – | 1,250 | 35,815 |
| Citibank loan (non-interest bearing) (note 12) | 1,878 | 62,107 | 3,794 | 108,705 |
| Total secured liabilities | 2,009 | 66,439 | 5,390 | 154,434 |

Lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

The Citibank loans are secured by a fixed and floating charge over the assets of the Company.

**Assets pledged as security**

The carrying amount of non-current assets pledged as security are:

| | 31 March, 2004 | | 31 March, 2003 | |
|---|---|---|---|---|
| | $'000 | INR'000 | $'000 | INR'000 |
| **Finance lease** | | | | |
| Plant and equipment under finance lease (note 8) | 278 | 9,194 | 425 | 12,177 |
| **Fixed and floating charge** | | | | |
| Cash | 2,502 | 82,743 | 1,739 | 49,826 |
| Receivables (note 5) | 9,596 | 317,346 | 11,230 | 321,761 |
| Inventories (note 6) | 12,949 | 428,232 | 6,483 | 185,750 |
| Property, plant and equipment – net of leased items (note 8) | 35,373 | 1,169,810 | 39,499 | 1,131,721 |
| | 60,698 | 2,007,325 | 59,376 | 1,701,235 |
| **11. Provisions** | | | | |
| **Current** | | | | |
| Employee benefits | 727 | 24,042 | 542 | 15,529 |
| **Non-current** | | | | |
| Employee benefits | 343 | 11,343 | 626 | 17,936 |
| Rehabilitation | 6,159 | 203,682 | 5,775 | 165,465 |
| | 6,502 | 215,026 | 6,401 | 183,401 |

| | 31 March, 2004 | | 31 March, 2003 | |
|---|---|---|---|---|
| | $'000 | INR'000 | $'000 | INR'000 |
| **12. Non interest bearing liabilities** | | | | |
| **Current** | | | | |
| **Secured** | | | | |
| Citibank loan | 1,878 | 62,107 | 1,916 | 54,897 |
| **Non-current** | | | | |
| **Secured** | | | | |
| Citibank loan | – | – | 1,878 | 53,808 |
| **Unsecured** | | | | |
| Loans from related parties | 133,267 | 4,407,233 | 127,644 | 3,657,243 |
| | 133,267 | 4,407,233 | 129,522 | 3,711,051 |

The largest component of outstanding loans from related parties relates to $105,904,000 (INR 3,502,319,413) payable to Monte Cello Corporation NV, Netherlands Antilles. This loan was assigned, by Citibank to Monte Cello Corporation NV upon the acquisition of the Company. It is interest free and is subordinated to all other of the Company's secured creditors. Repayments are only made if the Company has "surplus cash", defined as residual cash following payment of secured creditors, leaving the company solvent and a going concern; and secured creditors give their permission. An interest free loan of $27,363,000 (INR 904,913,564) is owed to Thalanga Copper Mines Pty Limited.

Refer to note 10 for security details of the Citibank loan.

**13. Contributed equity**

| | | | | |
|---|---|---|---|---|
| **Share capital** | | | | |
| Ordinary shares – 2 fully paid | – | – | – | – |

**Ordinary shares**

Ordinary shares entitle the holder to participate in dividends and proceeds on winding up of the Company in proportion to the numbers of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

**14. Accumulated losses**

| | | | | |
|---|---|---|---|---|
| Accumulated losses at the beginning of the financial year | (87,204) | (2,883,897) | (83,248) | (2,385,213) |
| Net loss | (1,575) | (52,086) | (3,956) | (113,347) |
| Accumulated losses at the end of the financial year | (88,779) | (2,935,984) | (87,204) | (2,498,560) |

**15. Dividends**

There were no dividends paid or declared during this or the previous financial year.

| **16. Remuneration of Directors** | $ | INR | $ | INR |
|---|---|---|---|---|
| Income paid or payable, or otherwise made available, to Directors by the Company and related parties in connection with the management of affairs of the Company | – | – | – | – |

The number of Directors whose total income from the Company or related parties was within the specified bands are as follows:

| $ | No. | No. |
|---|---|---|
| 0 - 9,999 | 3 | 3 |

| | 31 March, 2004 $'000 | 31 March, 2004 INR'000 | 31 March, 2003 $'000 | 31 March, 2003 INR'000 |
|---|---|---|---|---|
| **17. Remuneration of auditors** | | | | |
| Remuneration for audit of the financial reports of the Company: | | | | |
| Auditor of the Company – Deloitte Touche Tohmatsu | 75,000 | 2,480,303 | – | – |
| Auditor of the Company – KPMG | – | – | 65,000 | 1,862,374 |
| Remuneration for other services: | | | | |
| Auditor of the Company – Deloitte Touche Tohmatsu | – | – | – | – |
| Auditor of the Company – KPMG | – | – | 15,000 | 429,778 |
| | 75,000 | 2,480,303 | 80,000 | 2,292,152 |

| | 31 March, 2004 $'000 | 31 March, 2004 INR'000 | 31 March, 2003 $'000 | 31 March, 2003 INR'000 |
|---|---|---|---|---|
| **18. Contingent liabilities** | | | | |
| A claim lodged by a contractor's employee against the Company for claim relating to a mining accident. The claim is not covered by insurance. The Company has disclaimed liability and is defending the action. Legal advice indicates advice that it is unlikely that any significant liability will arise. | 150 | 4,961 | 100 | 2,865 |
| A claim lodged by a contractor's employee against the company for claim relating to a mining accident. The claim is not covered by insurance. The company has disclaimed liability and is defending the action. Legal advice indicates that it is unlikely that any significant liability will arise. | 250 | 8,268 | – | – |
| A claim lodged by a contractor's employee against the company for claim relating to a injury. The company has disclaimed liability and is defending the action. The claim is covered by insurance. It is unlikely that any significant liability will arise. | – | – | – | – |
| A claim lodged by a contractor's employee against the Company for claim relating to a mining accident. The claim is not covered by insurance. The company has disclaimed liability and is defending the action. Legal advice indicates that it is unlikely that any significant liability will arise. | – | – | – | – |
| A claim lodged by a contractor against the company for purported change in contractual conditions. The case has been decided in favour of the Company and there is no liability. | – | – | 286 | 8,194 |

| | 31 March, 2004 $'000 | 31 March, 2004 INR'000 | 31 March, 2003 $'000 | 31 March, 2003 INR'000 |
|---|---|---|---|---|
| **19. Commitments for expenditure** | | | | |
| **Capital commitments** | | | | |
| Commitments for the acquisition of plant and equipment contracted for at the reporting date but not recognised as liabilities, payable: Within one year. | – | – | – | – |
| | – | – | – | – |
| **Lease commitments** | | | | |
| Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable: | | | | |
| Within one year | 130 | 4,299 | 31 | 888 |
| Later than one year but not later than 2 years | 124 | 4,101 | – | – |
| Later than 2 years but not later than 5 years | 18 | 595 | – | – |
| | 272 | 8,995 | 31 | 888 |
| Representing: | | | | |
| Non-cancellable operating leases | 272 | 8,995 | 31 | 888 |
| | 272 | 8,995 | 31 | 888 |
| **Finance Leases** | | | | |
| Commitments in relation to finance leases are payable as follows: | | | | |
| Within one year | 136 | 4,497 | 207 | 5,931 |
| Later than one year but not later than 5 years | – | – | 166 | 4,756 |
| Later than 5 years | – | – | – | – |
| Minimum Lease payment | 136 | 4,497 | 373 | 10,687 |
| Less: Future finance charges | 5 | 165 | 27 | 774 |
| Recognised as a liability (note 10) | 131 | 4,332 | 346 | 9,913 |

**20. Financial instruments**

**(a) Interest rate risk exposures**

The Company's exposure to interest rate risk and the effective weighted average interest rate by maturity periods is set out in the following table. For interest rates applicable to each class of asset or liability refer to individual notes to the financial statements.

Exposures arise predominantly from assets and liabilities bearing variable interest rates as the Company intends to hold fixed rate assets and liabilities to maturity.

| | | Floating interest rate | | Fixed interest maturing in: 1 year or less | | Over 1 to 5 years | | More than 5 years | | Non-interest bearing | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **31 March, 2004** | Notes | $'000 | INR'000 | $'000 | INR'000 | $'000 | INR'000 | $'000 | INR'000 | $'000 | INR'000 | $'000 | INR'000 |
| **Financial assets** | | | | | | | | | | | | | |
| Cash and deposits | | 2,502 | 82,743 | – | – | – | – | – | – | – | – | 2,502 | 82,743 |
| Receivables | 5 | – | – | – | – | – | – | – | – | 9,596 | 317,346 | 9,596 | 317,346 |
| Deposit | 7 | – | – | 338 | 11,178 | – | – | – | – | – | – | 338 | 11,178 |
| | | 2,502 | 82,743 | 338 | 11,178 | – | – | – | – | 9,596 | 317,346 | 12,436 | 411,267 |
| Weighted average interest rate | | 5.25% | | – | | – | | – | | – | | | |
| **Financial liabilities** | | | | | | | | | | | | | |
| Loans | 12 | – | – | – | – | – | – | – | – | 1,878 | 62,107 | 1,878 | 62,107 |
| Trade and other creditors | 9 | – | – | – | – | – | – | – | – | 7,477 | 247,270 | 7,477 | 247,270 |
| Loans from related parties | 12 | – | – | – | – | – | – | – | – | 133,267 | 4,407,233 | 133,267 | 4,407,233 |
| Lease liabilities | 10 | – | – | 131 | 4,332 | – | – | – | – | – | – | 131 | 4,332 |
| | | – | – | 131 | 4,332 | – | – | – | – | 142,622 | 4,716,609 | 142,753 | 4,720,942 |
| Weighted average interest rate | | – | | 9.71% | | – | | – | | – | | – | |
| Net financial assets/(liabilities) | | 2,502 | 82,743 | 207 | 6,846 | – | – | – | – | (133,026) | (4,399,263) | (130,317) | (4,309,675) |
| **31 March, 2003** | | | | | | | | | | | | | |
| **Financial assets** | | | | | | | | | | | | | |
| Cash and deposits | | 1,739 | 49,826 | – | – | – | – | – | – | – | – | 1,739 | 49,826 |
| Receivables | 5 | – | – | – | – | – | – | – | – | 11,230 | 321,761 | 11,230 | 321,761 |
| Deposit | 7 | – | – | – | – | – | – | – | – | 154 | 4,412 | 154 | 4,412 |
| | | 1,739 | 49,826 | – | – | – | – | – | – | 11,384 | 326,173 | 13,123 | 375,999 |
| Weighted average interest rate | | 4.5% | | – | | – | | – | | – | | – | |
| **Financial liabilities** | | | | | | | | | | | | | |
| Loans | 10,12 | – | – | 1,250 | 35,815 | – | – | – | – | 3,794 | 108,705 | 5,044 | 144,520 |
| Trade and other creditors | 9 | – | – | – | – | – | – | – | – | 6,895 | 197,555 | 6,895 | 197,555 |
| Loans from related parties | 12 | – | – | – | – | – | – | – | – | 127,644 | 3,657,243 | 127,644 | 3,657,243 |
| Lease liabilities | 10 | – | – | 203 | 5,816 | 143 | 4,097 | – | – | – | – | 346 | 9,914 |
| | | – | – | 1,453 | 41,631 | 143 | 4,097 | – | – | 138,333 | 3,963,503 | 139,929 | 4,009,232 |
| Weighted average interest rate | | – | | 6.67% | | 9.52% | – | – | | – | | – | |
| Net financial assets/(liabilities) | | 1,739 | 49,826 | (1,453) | (41,631) | (143) | (4,097) | – | – | (126,949) | (3,637,330) | (126,806) | (3,633,233) |

**(b) Net fair value of financial assets and liabilities**

The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities approximates their carrying amounts.

The net fair value of other monetary financial assets and financial liabilities is based upon market prices where a market exists or by discounting the expected future cash flows by the current interest rates for assets and liabilities with similar risk profile.

**(c) Hedges**

There are no hedge transactions entered into as at 31 March, 2004.

**21. Related parties**

During the year, there have been transactions between the company and a related entity, Thalanga Copper Mines Pty Limited. These transactions were all arms lengths, on normal terms and conditions except that there was no interest charged on the loans with Thalanga Copper Mines Pty Ltd (31 March, 2003 – 0%). No additional transactions occurred with Monte Cello NV during the financial year (refer note 12).

During the 1998/99 financial period the company entered into a long term sales contract to supply copper concentrate to its parent Sterlite Industries (India) Limited. Sales revenue recognised during the year ended 31 March 2004 under this contract was approximately $69,189,000 (INR 2,288,128,662) (31 March 2003: $76,321,000) (INR 2,186,741,660).

**Directors**

The following individuals were Directors at the end of the financial year and at the date of this report:

Mr. Anil Agarwal

Mr. Robert Tracy

Mr. Dindayal Jalan

**Remuneration and retirement benefits**

No remuneration or retirement benefits were paid to the Directors during this or the previous financial period.

**Loans to Directors and Director-related entities**

No loans were given to Directors of the Company and their Director-related entities during this or the previous financial period.

**Transactions of Directors and Director-related entities concerning shares**

There were no shares acquired in the Company by the Directors or their related entities during this or the previous financial period.

Aggregate numbers of shares held directly, indirectly or beneficially by Directors or their Director-related entities at balance date:

| | 31 March, 2004 | 31 March, 2003 |
|---|---|---|
| Ordinary shares | 2 | 2 |

**Other transactions with Directors and Director-related entities**

A Director, Mr. Robert Tracy, is a partner in the firm of Henry Davis York, Lawyers. Henry Davis York has provided legal services to the company during the period on normal commercial terms and conditions.

Aggregate amounts of each of the above types of other transactions with Directors and their Director-related entities:

| | 31 March, 2004 | | 31 March, 2003 | |
|---|---|---|---|---|
| | $'000 | INR'000 | $'000 | INR'000 |
| Legal advice from Henry Davis York | 68 | 2,249 | 81 | 2,321 |
| Aggregate amounts payable to Directors and their Director-related entities at balance date: | | | | |
| Current liabilities | 8 | 265 | – | – |
| **Other related parties** | | | | |
| Aggregate amounts included in the determination of profit from ordinary activities before income tax that resulted from transactions with each class of other related parties: | | | | |
| Other revenue | | | | |
| Controlling entities | 26 | 860 | 426 | 12,206 |
| Other expense | | | | |
| Controlling entities | 1,439 | 47,589 | 1,739 | 49,826 |
| Aggregate amounts brought to account in relation to other transactions with each class of other related parties: | | | | |
| Commonly controlled entities | 5,622 | 185,923 | 8,191 | 234,688 |
| Loan repayments to | | | | |
| Controlling entities | – | – | 1,567 | 44,898 |
| Loans transferred to | | | | |
| Commonly controlled entities | – | – | – | – |

Aggregate amounts receivable from, and payable to, each class of other related parties at balance date:

| | 31 March, 2004 | | 31 March, 2003 | |
|---|---|---|---|---|
| | $'000 | INR'000 | $'000 | INR'000 |
| Current receivables | | | | |
| Parent entity (trade receivables) | 8,668 | 286,657 | 10,519 | 301,389 |
| Current payables | | | | |
| Parent entity (other payables) | 1,439 | 47,589 | – | – |
| Non-current payables | | | | |
| Commonly controlled entity (loan) | 27,363 | 904,914 | 21,740 | 622,892 |
| Controlling entity | – | – | – | – |
| Other related parties (loan) | 105,904 | 3,502,319 | 105,904 | 3,034,351 |

**Controlling entities**

The parent entity is Monte Cello BV (incorporated in the Netherlands) that owns 100% of the issued ordinary shares of Copper Mines of Tasmania Pty Limited.

The ultimate parent entity is Vedanta Resources Plc (incorporated in United Kingdom) that indirectly owns 61% of the issued ordinary shares of Monte Cello BV.

**22. Economic dependency**

The Company depends for a significant volume of revenue on Sterlite Industries (India) Limited. During the period ended 31 March 2004, approximately 100% (31 March 2003 – 100%) of the Company's operating revenue was sourced from Sterlite Industries (India) Limited.

***23. Reconciliation of loss from ordinary activities after income tax to net cash inflow from operating activities***

| | 31 March, 2004 | | 31 March, 2003 | |
|---|---|---|---|---|
| | $'000 | INR'000 | $'000 | INR'000 |
| Loss from ordinary activities after income tax | (1,575) | (52,086) | (3,956) | (113,347) |
| Depreciation and amortisation | 7,946 | 262,780 | 8,111 | 232,396 |
| Exchange (gain)/loss on non current liability | 1 | 33 | (144) | (4,126) |
| Receipts for tax losses sold to group company | – | – | – | – |
| Change in operating assets and liabilities: | | | | |
| Trade debtors | 1,634 | 54,038 | (10,558) | (302,507) |
| Inventories | (6,466) | (213,835) | 2,824 | 80,913 |
| Other operating assets | (213) | (7,044) | 218 | 6,246 |
| Trade creditors | 582 | 19,247 | 391 | 11,203 |
| Other provisions | 286 | 9,458 | 892 | 25,557 |
| Net cash inflow from operating activities | 2,195 | 72,590 | (2,222) | (63,665) |

***24. Segment information***

The Company operates in the mining industry only in Australia with operations comprising the sole business of exploration, production and sale of copper ore and its by-products wholly to its parent entity in India, Sterlite Industries (India) Limited.

***25. Additional Company information***

**COMPANY PARTICULARS**

Copper Mines of Tasmania Pty Limited is a Company limited by shares incorporated and domiciled in Australia. Its registered office is:

Copper Mines of Tasmania Pty Limited
C/o Henry Davis York
44 Martin Place
Sydney, New South Wales

Its principal place of business is:

Copper Mines of Tasmania Pty Limited
Private Bag 1
Queenstown, Tasmania.

# DIRECTORS' REPORT

Your Directors present their report on the Company for the year ended 31 March 2004.

### DIRECTORS

The following persons were Directors of the Company during the whole of the financial year and up to the date of this report:

Anil Agarwal
Scott James Murray
DD Jalan

### PRINCIPAL ACTIVITIES

The Company's principal continuing activities during the year consisted of:
(a) Mining, processing and sale of copper concentrate; and
(b) Exploration for copper and other base metals

### DIVIDENDS

There were no dividends paid or declared during the financial year.

### REVIEW OF OPERATIONS

*A summary of revenues and results is set out below:*

| | **Year ended 31 March, 2004** | | Year ended 31 March, 2003 | |
|---|---|---|---|---|
| | **$'000** | **INR'000** | $'000 | INR'000 |
| Revenue from Operating Activities | **38,765** | **1,281,986** | 20,531 | 588,252 |
| Other Revenue | **387** | **12,798** | 419 | 12,005 |
| Total Revenue | **39,152** | **1,294,784** | 20,950 | 600,257 |
| Profit from ordinary activities before income tax expense | **1,877** | **62,073** | (5,250) | (150,422) |
| Income tax benefit / (expense) | **(527)** | **(17,428)** | 306 | 8,767 |
| Operating profit / (loss) for the year after income tax expense | **1,350** | **44,645** | (4,944) | (141,655) |

Comments on the operations and the results of those operations are set out below. Physical production data where mentioned is in 100% terms whereas financial data refers to the Company's share only.

### OPERATING RESULTS

A total of 792,563 tonnes of Reward Deeps, Conviction and Chimney Ore was mined and 766,135 tonnes at 4.01% Cu was processed to produce 103,344 tonnes of copper concentrate at 26.33% Cu during the year ended March 2004.

### OPERATIONS

The Reward Deeps & Conviction mines are managed by the Company for the Mount Windsor Joint Venture participants. The Company's share of the joint venture is 70%.

There have been a few problems in the mines relating to the mine contractor and hence the mine production was not as estimated and the Company had to terminate the mining contractor. The performance of the plant has been generally good. Exploration of other prospects will be taken based on priority and it is intended to drill the Truncheon prospect and Thalanga Ranges during 2004.

### LIQUIDITY AND FUNDING

The operation is expected to generate positive cash flow over the remainder of the known mine life. An inter company loan account is held with Copper Mines of Tasmania Pty Ltd. (CMT) and funds are regularly transferred between CMT and the Company to maximise the use of available cash.

### RISK MANAGEMENT

The Company has entered into a frame contract for the sale of its share of copper concentrates with Sterlite Industries (India) Ltd. Terms are negotiable on a yearly basis.

### SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There has been no significant change in the affairs of the Company.

### MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

There are no matters subsequent to the end of financial year, which are likely to impact on the operations and financial statements of the Company.

### LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

There were no likely developments in the Company's operations that were not finalised at the date of this report.

Additional comments on expected results of some of the Company's operations are included in this report under the heading of operations.

Further information on likely developments in the Company's operations and the expected results of operations have not been included in this report because the Directors believe it would be likely to result in unreasonable prejudice to the Company.

### ENVIRONMENTAL REGULATION

The Company is subject to significant environmental regulations in respect of its mining activities, including the Mineral Resources Act, 1989, the Environmental Protection Act 1994, Water Resources Act, 1989, and the Workplace Health and Safety Act.

Compliance with these acts will be achieved through the implementation of the EMOS (Environmental Management Overview Strategy), the Plan of Operations, an Integrated Environmental Management System, and the conformance with the EPA licence and permits from the Queensland Department of Natural Resources.

The Company is committed to operating within best practice environmental standards and was not subject to any stop work orders or prosecutions under environmental laws and regulations during the financial year. During the year the Company has paid $1,500 as penalty towards contravening a condition of Environmental Authority.

### INSURANCE OF OFFICERS

During the year, the Company paid a premium of $26,874 (INR 888,742) to insure the Directors, Company Secretary and the other officers of the Company.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Company.

### PROCEEDINGS ON BEHALF OF COMPANY

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under Section 237 of the Corporations Act 2001.

### ROUNDING OF AMOUNTS

The Company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities & Investments Commission, relating to the "rounding off" of amounts in the Directors' report. Amounts in the Directors' report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

### AUDITOR

PricewaterhouseCoopers continues in office in accordance with section 327 of the Corporations Act, 2001.

This report is made in accordance with a resolution of the directors.

**Scott James Murray**
*Director*

31 May 2004

# INDEPENDENT AUDIT REPORT TO THE MEMBERS OF THALANGA COPPER MINES PTY LTD.

**Audit Opinion**

In our opinion, the financial report of Thalanga Copper Mines Pty Limited:

- gives a true and fair view, as required by the *Corporations Act, 2001* in Australia, of the financial position of Thalanga Copper Mines Pty Limited as at 31 March 2004, and of its performance for the year ended on that date, and
- is presented in accordance with the *Corporations Act, 2001*, Accounting Standards and other mandatory financial reporting requirements in Australia, and the *Corporations Regulations 2001*.

This opinion must be read in conjunction with the rest of our audit report.

**Scope**

**The Financial report and Directors' responsibility**

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the Directors' declaration for Thalanga Copper Mines Pty Limited, for the year ended 31 March, 2004.

The Directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the *Corporations Act, 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

**Audit approach**

We conducted an independent audit in order to express an opinion to the members of the Company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act, 2001*. Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Company's financial position, and its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the Directors.

When this audit report is included in a document containing the Directors' report, our procedures include reading the Directors' report to determine whether it contains any material inconsistencies with the financial report.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Our audit did not involve an analysis of the prudence of business decisions made by Directors or management.

**Independence**

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act, 2001*.

**PRICEWATERHOUSECOOPERS**
**PJ CLARKE**
*Partner*

Townsville
31 May, 2004

## STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 31 MARCH, 2004

| | | March, 2004 | | March, 2003 | |
|---|---|---|---|---|---|
| | Notes | $'000 | INR'000* | $'000 | INR'000* |
| **Revenue from sale of goods** | 3 | **38,765** | **1,281,986** | 20,531 | 588,252 |
| Cost of sales | | **(30,143)** | **(996,850)** | (24,434) | (700,081) |
| **Gross profit** | | **8,622** | **285,136** | (3,903) | 111,829 |
| Other revenues from ordinary activities | 3 | **387** | **12,798** | 419 | 12,005 |
| Other expenses from ordinary activities | | **(188)** | **(6,217)** | (133) | (3,810) |
| Depreciation and amortisation | 4 | **(6,854)** | **(226,667)** | (1,511) | (43,293) |
| Carrying value of non-current assets sold | | **(2)** | (66) | – | – |
| Borrowing costs expense | 4 | **(88)** | **(2,910)** | (122) | (3,495) |
| **Profit from ordinary activities before income tax expense** | | **1,877** | 62,074 | (5,250) | (150,422) |
| Income tax (expense)/benefit | 5 | **(527)** | (17,429) | 306 | 8,767 |
| **Profit from ordinary activities after income tax expense** | | **1,350** | 44,645 | (4,944) | (141,655) |
| **Net profit/(loss)** | | **1,350** | 44,645 | (4,944) | (141,655) |
| **Total changes in equity other than those resulting from transactions with owners as owners** | | **1,350** | 44,645 | (4,944) | (141,655) |

*The above statement of financial performance should be read in conjunction with the accompanying notes.*

* *The figures given in INR are by way of additional information conversion rate 1 Aus. $ = 33.0707 INR. (Previous Year : 28.6519)*

## STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH, 2004

| | | March, 2004 | | March, 2003 | |
|---|---|---|---|---|---|
| | Notes | $'000 | INR'000* | $'000 | INR'000* |
| **Current assets** | | | | | |
| Cash assets | 6 | **4,948** | **163,633** | 844 | 24,182 |
| Receivables | 7 | **2,713** | **89,721** | 5,454 | 156,267 |
| Inventories | 8 | **3,520** | **116,409** | 282 | 8,080 |
| Other | 9 | **82** | **2,712** | 30 | 860 |
| **Total current assets** | | **11,263** | **372,475** | 6,610 | 189,389 |
| **Non-current assets** | | | | | |
| Receivables | 10 | **27,363** | **904,914** | 21,740 | 622,892 |
| Property, plant and equipment | 11 | **4,701** | **155,465** | 11,512 | 329,841 |
| Deferred tax asset | | **976** | **32,277** | 1,503 | 43,064 |
| **Total non-current assets** | | **33,040** | **1,092,656** | 34,755 | 995,797 |
| **Total assets** | | **44,303** | **1,465,131** | 41,365 | 1,185,186 |
| **Current liabilities** | | | | | |
| Payables | 12 | **6,136** | **202,922** | 3,569 | 102,259 |
| Provisions | 13 | **5,620** | **185,857** | 696 | 19,942 |
| **Total current liabilities** | | **11,756** | **388,779** | 4,265 | 122,201 |
| **Non-current liabilities** | | | | | |
| Provisions | 14 | **1,433** | **47,390** | 7,336 | 210,190 |
| Deferred tax liability | 15 | **–** | **0** | – | 0 |
| **Total non-current liabilities** | | **1,433** | **47,390** | 7,336 | 210,190 |
| **Total liabilities** | | **13,189** | **436,169** | 11,601 | 332,391 |
| **Net assets** | | **31,114** | **1,028,962** | 29,764 | 852,795 |
| **Equity** | | | | | |
| Contributed equity | 16 | **578** | **19,115** | 578 | 16,561 |
| Retained profits | 17 | **30,536** | **1,009,847** | 29,186 | 836,234 |
| **Total equity** | | **31,114** | **1,028,962** | 29,764 | 852,795 |

*The above statement of financial position should be read in conjunction with the accompanying notes.*

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH, 2004

| | Notes | March, 2004 $'000 | March, 2004 INR'000 | March, 2003 $'000 | March, 2003 INR'000 |
|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | |
| Receipts from customers (inclusive of goods and services tax) | | 44,056 | 1,456,963 | 26,110 | 748,101 |
| Payments to suppliers and employees (inclusive of goods and services tax) | | (38,100) | (1,259,994) | (21,008) | (601,919) |
| | | 5,956 | 196,969 | 5,102 | 146,182 |
| Interest received | | 155 | 5,126 | 256 | 7,335 |
| Borrowing costs | | (88) | (2,910) | (122) | (3,496) |
| Goods and services tax refunded | | 3,589 | 118,691 | 2,239 | 64,152 |
| **Net cash inflow from operating activities** | 27 | 9,612 | 317,876 | 7,475 | 214,173 |
| **Cash flows from investing activities** | | | | | |
| Payments for property, plant and equipment | | (45) | (1,488) | (41) | (1,175) |
| Redemption of performance bonds deposit with Bank of Western Australia | | – | – | 12 | 344 |
| Payments for development costs | | – | – | (2,408) | (68,994) |
| Proceeds from sale of property, plant and equipment | | 160 | 5,291 | 135 | 3,868 |
| **Net cash inflow (outflow) from investing activities** | | 115 | (3,803) | (2,302) | (65,957) |
| **Cash flows from financing activities** | | | | | |
| Loans repaid by related parties | | 17,049 | 563,822 | 9,468 | 271,276 |
| Loans paid to related parties | | (22,672) | (749,779) | (17,659) | (505,964) |
| **Net cash (outflow) from financing activities** | | (5,623) | (185,957) | (8,191) | (234,688) |
| **Net increase (decrease) in cash held** | | 4,104 | 135,722 | (3,018) | (86,472) |
| Cash at the beginning of the financial year | | 844 | 27,912 | 3,862 | 110,654 |
| **Cash at the end of the financial year** | 6 | 4,948 | 163,634 | 844 | 24,182 |

*The above statement of cash flows should be read in conjunction with the accompanying notes.*

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2004

### Note 1. Summary of significant accounting policies

This general purpose financial report has been prepared in accordance with Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views and the Corporations Act, 2001. It is prepared in accordance with the historical cost convention, except for certain assets which, as noted, are at valuation. Unless otherwise stated, the accounting policies adopted are consistent with those of the previous year.

**(a) Income tax**

Tax effect accounting procedures are followed whereby the income tax expense in the statement of financial performance is matched with the accounting profit after allowing for permanent differences. The future tax benefit relating to tax losses is not carried forward as an asset unless the benefit is virtually certain of realisation. Income tax on cumulative timing differences is set aside to the deferred income tax or the future income tax benefit accounts at the rates which are expected to apply when those timing differences reverse.

**(b) Acquisitions of assets**

The purchase method of accounting is used for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their market price as at the acquisition date. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

**(c) Revenue recognition**

Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid. Revenue for product sales are recognised as revenue when, but only when, there has been a passing of risk to the customer, and

- the product is in a form suitable for delivery and no further processing is required by, or on behalf of, the producer;
- the quantity and quality of the product can be determined with reasonable accuracy;
- the product has been despatched to the customer and is no longer under the physical control of the producer; and
- the selling price can be determined with reasonable accuracy.

Sales revenue represents gross proceeds receivable from the customer. Sales are initially recognised at an estimated sales value when the product is shipped. Adjustments are made for variations in copper and precious metal prices, assay and weight between the time of shipment and the time final settlement of sales proceeds.

**(d) Receivables**

*(i) Product sales debtors*

Product sales debtors are recognised at the amounts receivable as per the quantity shipped and invoiced for provisionally and balance for adjustments mentioned above are payable upon final determination of the metal assays, moisture content and weight of concentrate.

Collectibility of product sales debtors is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts is raised when some doubt as to collection exists and in any event when the debt is more than 60 days overdue. All other receivables are recognised at the amount receivable, as they are due for settlement no more than 30 days from the date of recognition.

*(ii) Loans to related parties*

The non current loan to related parties of $27,363,272 (INR 904,922,559) (note 10) is to Copper Mines of Tasmania Pty Ltd ("CMT"). At 31 March 2004 CMT reported an operating loss after income tax and had a

deficiency in total assets. Management of CMT have obtained a confirmation of financial support for a minimum period of 18 months from 31 December 2003 from the parent, domiciled in India.

The Directors of the Company, after taking into consideration the confirmation of financial support believe that CMT has the ability to meet the long term loan commitments to the Company. On this basis, the financial report does not include any provision relating to the recoverability of the recorded loan.

**(e) Inventories**

*(i) Ore and concentrate*

Product inventories of stockpiled ore and concentrate are the property of participants in the respective joint ventures in proportion to their respective interests. Product that is incomplete is included in the financial statements at the lower of cost or net realisable value. The Manager has made an assessment as to whether the cost of inventories exceeds their net realisable value at the end of the year.

Cost comprises direct material, labour and transportation expenditure in getting inventories to their existing location and condition, together with an appropriate portion of fixed and variable overhead expenditure (which includes depreciation and amortisation), based on weighted average costs incurred for the three month period prior to balance date in which such inventories were produced.

*(ii) Consumables and Spare Parts*

Inventories of consumable supplies and spare parts expected to be used in production are valued at weighted average costs. Obsolete or damaged inventories of such items are valued at net realisable value. A regular and ongoing review is undertaken to establish the extent of surplus items, and provision is made for any potential loss on their disposal.

**(f) Recoverable amount of non-current assets**

The recoverable amount of an asset is the net amount expected to be recovered through the cash inflows and outflows arising from its continued use and subsequent disposal.

Where the carrying amount of a non-current asset is greater than its recoverable amount, the asset is written down to its recoverable amount. Where net cash inflows are derived from a group of assets working together, recoverable amount is determined on the basis of the relevant group of assets. The decrement in the carrying amount is recognised as an expense in net profit or loss in the reporting year in which the recoverable amount write-down occurs.

The expected net cash flows included in determining recoverable amounts of non-current assets is calculated on a nominal basis.

**(g) Project Exploration, Evaluation and Development Expenditure**

Expenditure incurred during exploration and the early stages of evaluation of new areas of interest within the development area are written off as incurred.

Development expenditure incurred subsequent to approval by the Mt Windsor Joint Venture Management committee is capitalised to property, plant and equipment or mine development.

**(h) Investments**

The interest in a joint venture partnership is accounted for as set out in note 1(m).

**(i) Depreciation of property, plant and equipment**

The cost of each item of buildings, machinery and equipment is written-off over its expected useful life to the economic entity. Either units-of-production (tonnes of metal produced) or the straight-line method are methods used.

The unit-of-production basis results in an amortisation charge proportional to the depletion of the economically recoverable reserves. Each items economic life has due regard to both its own physical life limitations and to present assessments of economically recoverable reserves of the mine property at which the item is located, and to possible future variations in those assessments. Estimates of remaining useful lives are made on a regular basis for all mine buildings, machinery and equipment, with annual reassessments for major items. The expected remaining useful lives are as follows:

| | |
|---|---|
| Buildings | 1 year |
| Plant & Equipment | 1 year |

Where items of plant and equipment have separately identifiable components, which are subject to regular replacement, those components are assigned useful lives distinct from the item of plant and equipment to which they relate.

Major spares purchased specifically for particular plant are capitalised and depreciated on the same basis as the plant to which they relate.

**(j) Mining Leases**

The Mount Windsor Joint Venture of which the Company has a 70% interest holds the following areas of interest: ML 1571, ML 1734, ML 1739, ML 1758, ML 10028.

The Company holds the following areas of interests: ML 10137, ML 10185, ML 10186, ML 1392 and ML 1531.

The Company holds the following areas of interest for exploration: EPM 10582.

Application is pending on the following areas of interest which when granted will be held by the Company for exploration: EPM 12372, EPM 14537 and EPM 12766.

**(k) Trade and other creditors**

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial period and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

**(l) Interest bearing liabilities**

Loans are carried at their principal amounts which represent the present value of future cash flows associated with servicing the debt. Interest is accrued over the year it becomes due and is recorded as part of other creditors.

**(m) Joint venture operations**

The Company is the Manager of the Mt Windsor Joint Ventures and their interest in these ventures are as follows:

| | | |
|---|---|---|
| Reward | : | 68.85% |
| Highway | : | 70.00% |
| Exploration | : | 70.00% |
| Reward Deeps (No formal JV agreement in place) | : | 70.00% |

Separate accounting records are maintained and the Company (as managers of the Joint Ventures) recover all expenditure made on behalf of the joint ventures in arrears during the accounting year. The Joint Ventures make a cash call on the participants for their respective share of expenditure. Financial Statements for each joint venture are prepared at the end of every accounting year.

The proportionate interests in the assets, liabilities and expenses of a joint venture operation have been incorporated in the financial statements under the appropriate headings. Details of the joint venture interests are set out in note 24.

**(n) Maintenance and repairs**

The Company's plant is required to be overhauled on a regular basis. This is managed as part of an ongoing major cyclical maintenance program. The costs of this maintenance are charged as expenses as incurred, except where they relate to the replacement of a component of an asset, in which case the costs are capitalised and depreciated in accordance with note 1(i). Other routine operating maintenance, repair costs and minor renewals are also charged as expenses as incurred.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2004 (CONTD.)

**(o) Royalties and other mining imposts**

Royalties are payable to the Queensland State Government on a quarterly basis and Western Metals Limited (from which The Company purchased its share of the Mt Windsor Joint Venture) on an annual basis. The liability for State Government royalties is assessed and accrued on the value of sales proceeds received and treated as production costs in the financial statements. The Western Metals royalty is accrued on the basis of tonnes of ore mined from the Conviction deposit and is also treated as a production cost in the financial statements.

**(p) Employee entitlements**

*(i) Wages and salaries, annual leave and sick leave*

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in other creditors in respect of employees' services up to the reporting date and are measured at the amounts to be paid when the liabilities settled.

*(ii) Long service leave*

A liability for long service leave is recognised, and is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and years of service.

**(q) Rehabilitation provision**

Expenditures relating to ongoing rehabilitation and restoration programmes are provided for or charged to costs of production if incurred whilst the mine is operating. As the Highway Project has been completed, total rehabilitation for the Mine site and plant site has been provided for. The estimated costs are reassessed at least every six months. The expenditure and accruals include the costs of labour, materials and equipment required to rehabilitate disturbed areas, to remove the plant and equipment and for subsequent environmental monitoring. The estimates are not discounted and are based on current costs, legislative and community requirements and technology.

**(r) Borrowing costs**

Borrowing costs are recognised as expenses in the year in which they are incurred.

**(s) Cash**

For purposes of the statement of cash flows, cash includes deposits at call which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts.

**(t) Rounding of amounts**

The Company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities & Investments Commission, relating to the "rounding off" of amounts in the interim financial report. Amounts in the interim financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

**Note 2. Segment Information**

**Business segments**

The Company's main business is the production of copper concentrate.

**Geographical segments**

The Company operates predominantly in the one geographical location in Australia.

| | March, 2004 $'000 | March, 2004 INR'000 | March, 2003 $'000 | March, 2003 INR'000 |
|---|---|---|---|---|
| **Note 3. Revenue** | | | | |
| **Revenue from operating activities** | | | | |
| Sale of goods | 38,765 | 1,281,986 | 20,531 | 588,252 |
| **Revenue from outside the operating activities** | | | | |
| Interest | 155 | 5,126 | 256 | 7,335 |
| Other | 72 | 2,381 | 30 | 860 |
| Sale of non-current assets | 160 | 5,291 | 133 | 3,810 |
| | 387 | 12,798 | 419 | 12,005 |
| Revenue from ordinary activities | 39,152 | 1,294,784 | 20,950 | 600,257 |

| | March, 2004 $'000 | March, 2004 INR'000 | March, 2003 $'000 | March, 2003 INR'000 |
|---|---|---|---|---|
| **Note 4. Profit from ordinary activities** | | | | |
| **(a) Net gains and expenses** | | | | |
| Profit from ordinary activities before income tax expense includes the following specific net gains and expenses: | | | | |
| **Net gains** | | | | |
| Net gain on disposal property, plant and equipment | 158 | 5,225 | 133 | 3,811 |
| Foreign exchange gains and losses | | | | |
| Exchange losses on foreign currency borrowings (realised) | – | – | – | – |
| Copper hedging losses (incurred) | (948) | (31,351) | – | – |
| Other net foreign exchange gain (unrealised) | – | – | – | – |
| Net hedging and foreign exchange gain/(loss) | (948) | (31,351) | – | – |
| **Expenses** | | | | |
| Exploration expenditure not capitalised | (188) | (6,217) | (133) | (3,811) |
| Government royalties and mining imposts | (950) | (31,417) | (666) | (19,082) |
| Depreciation | | | | |
| Plant and equipment | (1,024) | (33,864) | (713) | (20,429) |
| Amortisation | | | | |
| Mine Reserves & Development | (5,830) | (192,802) | (798) | (22,864) |
| Total depreciation and amortisation | (6,854) | (226,666) | (1,511) | (43,293) |
| Borrowing costs | | | | |
| Interest and finance charges paid/payable | (88) | (2,910) | (122) | (3,496) |
| Borrowing costs expensed | (88) | (2,910) | (122) | (3,496) |
| Expenditure of Litigation settlement relating to claim against Mt Windsor Joint Venture by mining contractor | (1,588) | 52,516 | – | – |
| **Note 5. Income tax** | | | | |
| (a) The income tax expense for the financial year differs from the amount calculated on the profit. The differences are reconciled as follows: | | | | |
| Profit from ordinary activities before income tax expense | 1,877 | 62,074 | (5,250) | (150,422) |
| Income tax calculated @ 30% (March 2003 – 30%) | 563 | 18,619 | (1,575) | (45,127) |
| Tax effect of permanent differences: | | | | |
| Non-deductible expenditure | – | – | 1 | 29 |
| Accounting profit on sale of fixed assets | (47) | (1,554) | – | – |
| Income tax adjusted for permanent differences | 516 | 17,065 | (1,574) | (45,098) |
| Tax losses transferred from group company | – | – | – | – |
| Consideration payable for tax losses transferred from group company | – | – | – | – |
| Future income tax benefit not previously brought to account | 11 | 363 | 1,143 | 32,749 |
| Under/(over) provision in prior year | – | – | 125 | 3,581 |
| **Income tax expense/(Benefit)** | 527 | 17,428 | (306) | (8,768) |
| (b) Aggregate income tax expense comprises: | | | | |
| Amount payable to group company for transfer of income tax losses | – | – | – | – |
| Deferred tax liability | – | – | (1,918) | (54,954) |
| Future income tax benefit | 527 | 17,428 | 1,487 | 42,605 |
| Under provision in prior year | – | – | 125 | 3,581 |
| | 527 | 17,428 | (306) | (8,768) |

Future income tax benefits attributable to tax losses recognised as a reduction of the provision for deferred income tax are disclosed in note 15.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2004 (Contd.)

**Tax consolidation legislation**

As of the 31 March 2004 the Company had not made a decision to implement the tax consolidation legislation.

The Company is eligible to form a multiple entry consolidated group with Copper Mines of Tasmania Pty Ltd as both companies are wholly owned subsidiaries of Sterlite Industries (India) Ltd, a foreign parent company. The Company does not have its own tax-consolidatable group.

The financial effect, if any, of subsequent implementation of the legislation is not expected to have a material impact on the assets and liabilities and results of the Company.

| | March, 2004 $'000 | March, 2004 INR'000 | March, 2003 $'000 | March, 2003 INR'000 |
|---|---|---|---|---|
| **Note 6. Current assets – Cash assets** | | | | |
| Cash at bank and on hand | 4,948 | 163,634 | 844 | 24,182 |
| The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flows as follows: | | | | |
| Balances as above | 4,948 | 163,634 | 844 | 24,182 |
| **Financing arrangements** | | | | |
| Unrestricted access was available at balance date to the following lines of credit: | | | | |
| **Credit standby arrangements** | | | | |
| Total facilities | | | | |
| Bank overdrafts | – | – | – | – |
| Within the Days Funds Deemed Clear Facility | 150 | 4,961 | 150 | 4,298 |
| | 150 | 4,961 | 150 | 4,298 |
| Used at balance date | | | | |
| Bank overdrafts | – | – | – | – |
| Within the Days Funds Deemed Clear Facility | – | – | – | – |
| | – | – | – | – |
| Unused at balance date | | | | |
| Bank overdraft | | | | |
| Within the Days Funds Deemed Clear Facility | 150 | 4,961 | 150 | 4,298 |
| | 150 | 4,961 | 150 | 4,298 |
| **Note 7. Current assets – Receivables** | | | | |
| Trade debtors | – | – | 4,016 | 115,066 |
| Less: Provision for doubtful debts | – | – | – | – |
| | – | – | 4,016 | 115,066 |
| Other debtors | 2,713 | 89,721 | 1,438 | 41,201 |
| | 2,713 | 89,721 | 5,454 | 156,267 |
| **Note 8. Current assets – Inventories** | | | | |
| Stores – at cost | 885 | 29,268 | 881 | 25,242 |
| Less: Provision for obsolescence | (644) | (21,298) | (644) | (18,452) |
| | 241 | 7,970 | 237 | 6,790 |
| Work in progress (ROM) – at cost | 591 | 19,545 | 45 | 1,290 |
| Finished goods (concentrate) – at cost | 2,688 | 88,894 | – | – |
| | 3,520 | 116,409 | 282 | 8,080 |

| | March, 2004 $'000 | March, 2004 INR'000 | March, 2003 $'000 | March, 2003 INR'000 |
|---|---|---|---|---|
| **Note 9. Current assets – Other** | | | | |
| Prepayments | 82 | 2,712 | 30 | 860 |
| **Note 10. Non-current assets – Receivables** | | | | |
| Loans to related parties | 27,363 | 904,914 | 21,740 | 622,892 |
| **Note 11. Non-current assets – Property, plant and equipment** | | | | |
| **Mining Property, Plant and Equipment** | | | | |
| ***Land*** | | | | |
| Freehold land – at cost | 498 | 16,469 | 498 | 14,269 |
| Total land and buildings | 498 | 16,469 | 498 | 14,269 |
| ***Mine reserves and development*** | | | | |
| Mine reserves and development – at cost | 63,688 | 2,106,207 | 63,688 | 1,824,782 |
| Less: Accumulated depreciation | (60,289) | (1,993,800) | (54,459) | (1,560,354) |
| Total mine reserves and development | 3,399 | 112,407 | 9,229 | 264,428 |
| ***Plant and equipment*** | | | | |
| Plant and equipment – at cost | 39,092 | 1,292,800 | 39,109 | 1,120,547 |
| Less: Accumulated depreciation | (38,484) | (1,272,693) | (37,476) | (1,073,759) |
| Total plant and equipment | 608 | 20,107 | 1,634 | 46,788 |
| Capital works in progress | 196 | 6,482 | 151 | 4,326 |
| | 4,701 | 155,465 | 11,512 | 329,811 |

**Non-current assets pledged as security**

**Joint Venture Cross-charges**

The Company has charged in favour of its joint venture participant, BML Holdings Pty Limited the usual first ranking cross charges over the various joint venture interests.

**Assets pledged as security**

| | Reward Joint Venture $'000 | Reward Joint Venture INR'000 | Highway Joint Venture $'000 | Highway Joint Venture INR'000 |
|---|---|---|---|---|
| The carrying amounts of non-current assets pledged as security: | | | | |
| **Cross charges** | | | | |
| Mining property plant and equipment | 557 | 18,420 | 187 | 5,358 |

The above cross charges are also the first ranking fixed and floating charge which extend to all the undertakings of the Company including the Project production facilities, Thalanga's share of the copper, the Mining Leases, the Pastoral Leases, any sales contracts, any proceeds of sale and any insurance policies.

**Note 11. Non-current assets – Property, plant and equipment (continued)**

**Reconciliations**

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current financial year are set out below:

| | Freehold land $'000 | Freehold land INR'000 | Mine Development $'000 | Mine Development INR'000 | Plant & equipment $'000 | Plant & equipment INR'000 | Capital works in progress $'000 | Capital works in progress INR'000 | Total $'000 | Total INR'000 |
|---|---|---|---|---|---|---|---|---|---|---|
| Carrying amount at 1 April, 2003 | 498 | 16,469 | 9,229 | 305,209 | 1,634 | 54,038 | 151 | 4,994 | 11,512 | 380,710 |
| Additions | – | – | – | – | – | – | 45 | 1,488 | 45 | 1,488 |
| Disposals | – | – | – | – | (2) | (66) | – | – | (2) | (66) |
| Transfers to / (from) capital works in progress | – | – | – | – | – | – | – | – | – | – |
| Depreciation/amortisation expense (note 3(a)) | – | – | (5,830) | (192,802) | (1,024) | (33,864) | – | – | (6,854) | (226,666) |
| **Carrying amount at 31 March, 2004** | **498** | **16,469** | **3,399** | **112,407** | **608** | **20,107** | **196** | **6,482** | **4,701** | **155,466** |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2004 (Contd.)

| | March, 2004 $'000 | March, 2004 INR'000 | March, 2003 $'000 | March, 2003 INR'000 |
|---|---|---|---|---|
| **Note 12. Current liabilities – Payables** | | | | |
| Trade creditors | 4,736 | 156,623 | 3,346 | 95,869 |
| Other creditors | 1,400 | 46,299 | 223 | 6,389 |
| | 6,136 | 202,922 | 3,569 | 102,258 |
| **Note 13. Current liabilities – Provisions** | | | | |
| Other (FBT & Royalty) | 362 | 11,971 | 223 | 6,390 |
| Employee entitlements (note 22) | 116 | 3,836 | 55 | 1,576 |
| Rehabilitation | 5,142 | 170,050 | 418 | 11,976 |
| | 5,620 | 185,857 | 696 | 19,942 |
| **Note 14. Non-current liabilities – Provisions** | | | | |
| Rehabilitation | 1,433 | 47,390 | 7,336 | 210,190 |
| **Note 15. Non-current liabilities – Deferred tax liability** | | | | |
| Deferred tax liability | – | – | – | – |

The provision for deferred income tax has been reduced by $324,000 (INR 10,714,907), (2003 – $2,775,000) (INR 79,509,023) in respect of future income tax benefits attributable to tax losses (see also note 5)

**Note 16. Contributed equity**

| | March 2004 Shares '000 | March 2003 Shares '000 | March 2004 $'000 | March 2004 INR'000 | March 2003 $'000 | March 2003 INR'000 |
|---|---|---|---|---|---|---|
| **Share capital** | | | | | | |
| Ordinary shares – fully paid | 578 | 578 | 578 | 19,115 | 578 | 16,561 |

| | March, 2004 $'000 | March, 2004 INR'000 | March, 2003 $'000 | March, 2003 INR'000 |
|---|---|---|---|---|
| **Note 17. Reserves and retained profits** | | | | |
| **(a) Retained profits** | | | | |
| Retained profits at the beginning of the financial year | 29,186 | 965,201 | 34,130 | 977,889 |
| Net profit/(loss) | 1,350 | 44,646 | (4,944) | (141,655) |
| Retained profits at the end of the financial year | 30,536 | 1,009,847 | 29,186 | 836,234 |
| **Note 18. Equity** | | | | |
| Total equity at the beginning of the financial year | 29,764 | 984,316 | 34,708 | 994,450 |
| Total changes in equity recognised in the statement of financial performance | 1,350 | 44,646 | (4,944) | (141,655) |
| Total equity at the end of the financial year | 31,114 | 1,028,962 | 29,764 | 852,795 |

**Note 19. Financial instruments**

**(a) Credit risk exposures**

The credit risk on financial assets which have been recognised on the statement of financial position, other than investments in shares, is generally the carrying amount, net of any provisions for doubtful debts.

**(b) Interest rate risk exposures**

The Company's exposure to interest rate risk and the effective weighted average interest rate by maturity years is set out in the following table. For interest rates applicable to each class of asset or liability refer to individual notes to the financial statements. Exposures arise predominantly from assets and liabilities bearing variable interest rates as the Company intends to hold fixed rate assets and liabilities to maturity.

**Note 19. Financial Instruments (Contd.)**

| March 2004 | Notes | Floating interest rate $'000 | Floating interest rate INR'000 | Fixed interest maturing in: 1 year or less $'000 | 1 year or less INR'000 | Over 1 to 5 years $'000 | Over 1 to 5 years INR'000 | More than 5 years $'000 | More than 5 years INR'000 | Non-interest bearing $'000 | Non-interest bearing INR'000 | Total $'000 | Total INR'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Financial assets** | | | | | | | | | | | | | |
| Cash and deposits | 6 | 4,938 | 163,303 | – | | – | – | – | – | 10 | 331 | 4,948 | 163,634 |
| Receivables | 7,10 | – | – | – | – | – | – | – | – | 30,076 | 994,634 | 30,076 | 994,634 |
| | | 4,938 | 163,303 | – | – | – | – | – | – | 30,086 | 994,965 | 35,024 | 1,158,268 |
| Weighted average interest rate | 5.25% | – | – | – | – | – | – | – | – | | | | |
| **Financial liabilities** | | | | | | | | | | | | | |
| Trade and other creditors | 12 | – | – | – | – | – | – | – | – | 6,136 | 202,922 | 6,136 | 202,922 |
| | | – | – | – | – | – | – | – | – | 6,136 | 202,922 | 6,136 | 202,922 |
| Weighted average interest rate | | – | – | – | – | – | – | – | – | | | | |
| Net financial assets | | 4,938 | 163,303 | – | – | – | – | – | – | 23,950 | 792,043 | 28,888 | 955,346 |

| March 2003 | Notes | Floating interest rate $'000 | Floating interest rate INR'000 | Fixed interest maturing in: 1 year or less $'000 | 1 year or less INR'000 | Over 1 to 5 years $'000 | Over 1 to 5 years INR'000 | More than 5 years $'000 | More than 5 years INR'000 | Non-interest bearing $'000 | Non-interest bearing INR'000 | Total $'000 | Total INR'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Financial assets** | | | | | | | | | | | | | |
| Cash and deposits | 6 | 844 | 24,182 | – | – | – | – | – | – | – | – | 844 | 24,182 |
| Receivables | 7.10 | 4,016 | 115,066 | – | – | 21,740 | 622,893 | – | – | 1,438 | 41,201 | 27,194 | 779,160 |
| | | 4,860 | 139,248 | – | – | 21,740 | 622,893 | – | – | 1,438 | 41,201 | 28,038 | 803,342 |
| Weighted average interest rate | 4.49% | – | – | – | – | – | – | – | – | | | | |
| **Financial liabilities** | | | | | | | | | | | | | |
| Trade and other creditors | 12 | – | – | – | – | – | – | – | – | 3,569 | 102,258 | 3,569 | 102,258 |
| | | – | – | – | – | – | – | – | – | 3,569 | 102,258 | 3,569 | 102,258 |
| Weighted average interest rate | | – | – | – | – | | | | | | | | |
| Net financial assets (liabilities) | | 4,860 | 139,248 | – | – | 21,740 | 622,893 | – | – | (2,131) | (61,057) | 24,469 | 701,084 |

**(c) Net fair value of financial assets and liabilities**

**On-balance sheet**

The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities of the consolidated entity approximates their carrying amounts.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2004 (Contd.)

| | March, 2004 $'000 | March, 2004 INR'000 | March, 2003 $'000 | March, 2003 INR'000 |
|---|---|---|---|---|
| **Note 20. Remuneration of Directors** | | | | |
| Income paid or payable, or otherwise made available, to Directors by the Company and related parties in connection with the management of affairs of the Company. | NIL | | NIL | |
| **Note 21. Remuneration of auditors** | | | | |
| Remuneration of the auditors of the financial reports of the Company: | | | | |
| **PricewaterhouseCoopers – Australian Firm** | | | | |
| Audit or review of financial reports of the entity | 49,097 | 1,623,672 | 33,125 | 949,094 |
| Remuneration for other services – Taxation and Other Services | 25,712 | 850,314 | 15,623 | 447,629 |
| Total remuneration | 74,809 | 2,473,986 | 48,748 | 1,396,723 |
| **Note 22. Employee entitlements** | | | | |
| **Employee entitlement liabilities** | | | | |
| Provision for employee entitlements | | | | |
| Current (Note 13) | 116 | 3,836 | 55 | 1,576 |
| Aggregate employee entitlement liability | 116 | 3,836 | 55 | 1,576 |

| **Employee numbers** | March, 2004 Number | March, 2003 Number |
|---|---|---|
| Average number of employees during the financial year | 8 | 9 |

### Note 23. Related parties

**Directors**

The names of persons who were Directors of the Company at any time during the year to 31 March 2004 are as follows: Anil Agarwal, Scott James Murray and DD Jalan. All are Directors at the date of this report.

**Remuneration and retirement benefits**

No remuneration was paid to Directors and there are no retirement benefits.

**Loans to Directors and Director-related entities**

No loans were given to Directors of the Company or their Director-related entities.

**Other transactions with Directors and Director-related entities**

A Director, Mr S J Murray, is a partner in the firm of Henry Davis York, Lawyers. Henry Davis York has provided legal services to the Company during the financial year on normal commercial terms and conditions.

Aggregate amounts of each of the above types of transactions with Directors and their Director-related entities:

| | March, 2004 $'000 | March, 2004 INR'000 | March, 2003 $'000 | March, 2003 INR'000 |
|---|---|---|---|---|
| Provision of legal services | 234,453 | 7,753,525 | 105,140 | 3,012,461 |
| Aggregate amounts payable to Directors and their Director-related entities at balance date: | | | | |
| Current liabilities | 14,338 | 474,168 | – | – |

**Wholly-owned group**

Transactions between the Company and other entities within the wholly owned group during the financial years ended 31 March 2004 and 31 March 2003 consisted of:

a. loans advanced by Thalanga Copper Mines Pty Ltd.

b. loans repaid to Thalanga Copper Mines Pty Ltd.

c. Sales of copper concentrates to parent entity

d. Interest received on trade debtors arising from the sales of copper concentrates

e. Payment of management fee to parent entity of USD $1 million.

The sales of copper are made on normal terms and conditions and at market rates. There are no fixed terms for the repayment of principal on loans advanced by the Company and there is no interest charged. The average interest rate charged on trade debtors is 4.87%.

Aggregate amounts included in the determination of operating profit before income tax that resulted from transactions with entities in the wholly-owned group:

| | March, 2004 $'000 | March, 2004 INR'000 | March, 2003 $'000 | March, 2003 INR'000 |
|---|---|---|---|---|
| Interest revenue | 40 | 1,323 | 200 | 5,730 |
| Aggregate amounts receivable from entities in the wholly-owned group at balance date: | | | | |
| Current receivables | | | | |
| Trade debtors | – | – | 4,016 | 115,066 |
| Non-Current receivables | | | | |
| Loans | 27,363 | 904,914 | 21,740 | 622,892 |
| Current payables | 1,538 | 50,863 | – | – |

**Controlling entities**

The parent entity is Monte Cello BV (incorporated in the Netherlands) that owns 100% of the issued ordinary shares of the Company

The ultimate parent entity is Vedanta Resources plc (incorporated in United Kingdom) that indirectly owns 61% of the issued ordinary shares of Monte Cello BV.

**Ownership interests in related parties**

Interests held in the following classes of related parties are set out in the following notes:

(a) Interest in Joint venture operation – note 23

### Note 24. Interests in joint ventures

**Joint venture operation**

The Company has entered into various joint venture operations for the purposes of mining and processing of copper concentrate and exploration for copper and other base metals. The companies participating interest in these joint ventures and entitlement to output is detailed below.

At 31 March 2004 a formal joint venture agreement had not be signed by both the Company and BML Holdings Pty Ltd for the Reward Deeps project however the operations continue as a joint venture under the Mt Windsor exploration joint venture agreement.

The Joint Ventures reporting date is 30 June.

**NOTES TO THE FINANCIAL STATEMENTS** FOR THE YEAR ENDED 31 MARCH, 2004 (Contd.)

The Company's interests in the assets employed in these joint ventures are included in the balance sheet, in accordance with the accounting policy in Note 1(m), under the following classifications:

| March 2004 | Highway | | Reward | | Exploration | | Reward Deeps & Conviction | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| | $'000 | INR'000 | $'000 | INR'000 | $'000 | INR'000 | $'000 | INR'000 | $'000 | INR'000 |
| **Current assets** | | | | | | | | | | |
| Cash | 10 | 331 | 540 | 17,858 | – | – | – | – | **550** | **18,189** |
| Other | 1,612 | 53,320 | 116 | 3,836 | 9 | 298 | 6,435 | 212,820 | **8,173** | **270,274** |
| Total current assets | 1,622 | 53,651 | 656 | 21,694 | 9 | 298 | 6,435 | 212,820 | 8,723 | 288,463 |
| **Non-Current assets** | | | | | | | | | | |
| Plant and equipment – at cost | 1,553 | 51,359 | 1,069 | 35,353 | – | – | 90 | 2,976 | **2,712** | **89,688** |
| Mine Development | – | – | – | – | – | – | 10,027 | 331,600 | **10,027** | **331,600** |
| Capital work In Progress | – | – | – | – | – | – | 196 | 6,482 | **196** | **6,482** |
| Total non-current assets | 1,553 | 51,359 | 1,069 | 35,353 | – | – | 10,313 | 341,058 | **12,935** | **427,770** |
| Share of assets employed in joint venture | 3,175 | 105,010 | 1,725 | 57,047 | 9 | 298 | 16,748 | 553,878 | **21,658** | **716,233** |

* **Reward Deeps:** The Company has 70% interest in the Reward Deeps and Conviction Project, the formal joint venture agreement for which had not been signed at the balance sheet date.

| March 2004 | Highway | | Reward | | Exploration | | Reward Deeps & Conviction | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| | $'000 | INR'000 | $'000 | INR'000 | $'000 | INR'000 | $'000 | INR'000 | $'000 | INR'000 |
| **Current assets** | | | | | | | | | | |
| Cash | 10 | 286 | 518 | 14,842 | – | – | – | – | **528** | **15,128** |
| Other | 2,677 | 76,701 | 440 | 12,607 | 1 | 29 | 1,940 | 55,585 | **5,058** | **144,922** |
| Total current assets | 2,687 | 76,987 | 958 | 27,449 | 1 | 29 | 1,940 | 55,585 | 5,586 | **160,050** |
| **Non-Current assets** | | | | | | | | | | |
| Plant and equipment – at cost | 1,572 | 45,041 | 1,069 | 30,629 | – | – | 90 | 2,578 | **2,731** | **78,248** |
| Mine Development | – | – | – | – | – | – | 10,027 | 287,293 | **10,027** | **287,293** |
| Capital work In Progress | – | – | – | – | – | – | 151 | 4,326 | **151** | **4,326** |
| Total non-current assets | 1,572 | 45,041 | 1,069 | 30,629 | – | – | 10,268 | 294,197 | **12,909** | **369,867** |
| Share of assets employed in joint venture | 4,259 | 122,028 | 2,027 | 58,078 | 1 | 29 | 12,208 | 349,782 | **18,495** | **529,917** |

* **Reward Deeps:** The Company has 70% interest in the Reward Deeps and Conviction Project, the formal joint venture agreement for which had not been signed at the balance sheet date.

**Note 25. Economic dependency**

The Company was not economically dependent on any entity during the year ended 31 March 2004.

**Note 26. Event occurring after reporting date**

No matter or circumstance has arisen since 31 March 2004 that has significantly affected, or may significantly affect:

(a) the entity's operations in future financial years, or

(b) the results of those operations in future financial years, or

(c) the entity's state of affairs in future financial years.

**Note 27. Reconciliation of profit from ordinary activities after income tax to net cash inflow from operating activities**

| | **March, 2004** | | March, 2003 | |
|---|---|---|---|---|
| | **$'000** | **INR'000** | $'000 | INR'000 |
| Profit from ordinary activities after income tax | **1,350** | **44,645** | (4,944) | (141,655) |
| Depreciation and amortisation | **6,854** | **226,667** | 1,511 | 43,293 |
| Net loss on sale of non-current assets | **(158)** | **(5,225)** | (133) | (3,811) |
| Change in operating assets and liabilities: | | | | |
| (Increase)/decrease in trader debtors | **4,016** | **132,812** | 5,651 | 161,921 |
| (Increase)/decrease in inventories | **(3,238)** | **(107,083)** | 6,388 | 183,028 |
| (Increase)/decrease in deferred tax asset | **527** | **17,428** | 1,488 | 42,634 |
| (Increase)/decrease in other operating assets | **(1,327)** | **(43,885)** | 62 | 1,776 |
| Increase/(decrease) in other trade and other creditors | **2,567** | **84,892** | 1,146 | 32,835 |
| Increase/(decrease) in deferred tax liabilities | – | – | (1,918) | (54,954) |
| Increase/(decrease) in other provisions | **(979)** | **(32,376)** | (1,776) | (50,886) |
| Net cash inflow from operating activities | **9,612** | **317,876** | 7,475 | 214,172 |

**Note 28. Contingent liabilities**

**a) Mine Fatality**

An accident occurred on 13 December 2002, which resulted in a fatal injury to an employee of the mining contractor, Brandrill Limited. A Coronial inquest has been completed and the findings identify a mining accident. Legal advice to date indicates that it is unlikely that any criminal proceedings will arise from this inquest.

The deceased's family has submitted a claim against Brandrill and the Company under the Personal Injuries Proceedings Act, 2002. The Company has forwarded all the relevant data and documents to the insurance company.

The Mines Department has lodged a complaint (10 March 2004) initiating prosecution of Thalanga Copper Mines under the relevant Safety and Health legislation.

**Directors' declaration**

The Directors declare that the financial statements and notes set out on pages 1 to 23:

(a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

(b) give a true and fair view of the Company's financial position as at 31 March 2004 and of its performance, as represented by the results of its operations and its cash flows, for the financial year ended on that date.

In the Directors' opinion:

(a) the financial statements and notes are in accordance with the Corporations Act, 2001; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors.

**Scott James Murray**
*Director*
31 May 2004

# DIRECTORS' REPORT

The Members,

The Directors present the Financial results for the year ended March 31, 2004.

| **Financial Performance** | **Year ended March 31, 2004 (Rs. '000)** | Year ended March 31, 2003 (Rs. '000) |
|---|---|---|
| Loss before extraordinary item | **2390** | 3606 |
| Extraordinary Item (Impairment of fixed assets) | **4,75,000** | – |
| Loss after extraordinary item | **4,77,390** | 3606 |
| Balance brought forward | **16,042** | 12,436 |
| Balance carried forward | **4,93,432** | 16,042 |

The Company has not commenced any operation. In compliance with AS 28 relating to 'Impairment of Assets' issued by the Institute of Chartered Accountants of India, Rs. 475 million on account of capital work in progress lying at the plant has been adjusted to Profit & Loss account of the Company during the year and hence the loss has increased from Rs. 3.6 million to Rs. 477 million.

**Dividend**

In absence of profits, your Directors do not recommend any dividend for the year ended March 31, 2004.

***Directors' Responsibility Statement***

**As required under Section 217(2AA) of the Companies Act, the Directors hereby confirm that :**

(i) in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;

(ii) such accounting policies have been selected and applied consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the loss of the Company for that period;

(iii) proper and sufficient care for the maintenance of adequate accounting records had been taken in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

(iv) the accounts are prepared on a going concern basis.

**Employees**

The Company had no employees getting salary in excess of the limits specified in Section 217(2A) of the Companies Act, 1956.

**Particulars of Energy Conservation, Technology Absorption and Foreign Exchange Earning and Outgo**

The information required to be given pursuant to Section 217 (1)(e) of the Companies Act, 1956 is not given, as the same is not applicable.

**Directors**

Mr. Anil Agarwal, Director of the Company retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

**Auditors**

M/s. B.N. Kedia & Co., Chartered Accountants, auditors of your Company, retire at the ensuing Annual General meeting and being eligible, offer themselves for re-appointment.

For and on behalf of the Board of Directors

**ANIL AGARWAL** — ***Director***
**NAVIN AGARWAL** — ***Director***

Place : Mumbai
Date : 14th June, 2004

# AUDITORS' REPORT

To,
The Members of
**Sterlite Paper Limited**

1. We have audited the attached Balance Sheet of Sterlite Paper Limited as at 31st March, 2004 and also the Profit & Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material mis-statement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in the paragraphs 4 & 5 of the said order.
4. Further to our comments in the Annexure referred to in paragraph 3 above:
   i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
   ii) In our opinion, proper books of account as required by the law has been kept by the Company so far as it appears from our examination of the books;
   iii) The Balance Sheet and Profit & Loss Account dealt with by this report are in agreement with the books of account;
   iv) In our opinion, the Balance Sheet and Profit & Loss Account comply with the Accounting Standards referred to in sub-section (3-C) of Section 211 of the Companies Act, 1956;
   v) On the basis of written representations received from the directors, as on 31st March, 2004 and taken on record by the Board of Directors, we report that nonê of Directors is disqualified as on 31st March, 2004 from being appointed as a Director in terms of clause (g) of sub clause (1) of Section 274 of the Companies Act, 1956;
   vi) In our opinion, and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required give a true and fair view in conformity with the accounting principles generally accepted in India:
      i) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2004, and
      ii) In the case of Profit & Loss Account, of the loss for the year ended on that date.

For **B. N. KEDIA & CO.**
*Chartered Accountants*

**K. K. Kedia**
*(Partner)*
Membership No. 052461

Place : Mumbai
Date : 14th June, 2004

# ANNEXURE TO AUDITORS' REPORT

ANNEXURE REFERRED TO IN PARAGRAPH 3 OF THE AUDITOR'S REPORT TO THE MEMBERS OF STERLITE PAPER LIMITED ON THE ACCOUNTS FOR THE YEAR ENDED 31st MARCH, 2004.

1. In our opinion and according to information and explanations given to us, the nature of the Company business/activities during the year are such that clauses (ii) (xi) (xiii) (xiv) (xvii) (xviii) (xix) (xx) of the Companies (Auditor's Report) Order 203 are not applicable to the Company.
2. a. The Company has maintained proper records showing full particulars including quantitative datails and situation of fixed assets.
   b. All the fixed assets have not been physically verified by the management during the year, but there is regular Programme for verification, which in our opinion is reasonable having regard to the size of the Company and the nature of its business. No material discrepancies were noticed on such verification.
   c. During the year the Company has impaired a substantial portion of its Capital Work-in-progress. According to the information and explanations given to us by the Company, we are of the opinion that the impairment of such assets has not affected the going concern status of the Company.
3. a. The Company has taken unsecured loans, from Sterlite Industries (India) Ltd., holding Company, listed in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs. 1670.9 million and the year end balance of loan taken by the Company was Rs. 1670.0 million.
   b. The Company has not granted any secured or unsecured loans to companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act 1956.
   c. In our opinion the rate of interest and other terms and conditions on which the loans have been taken from parties listed in the register maintained under Section 301 of the Companies Act, 1956 are, prima facie, not prejudicial to the interest of the company.
   d. The Company is not repaying the principal amount of the loan as there is no specific stipulation for the same and there are no overdue amounts of loans taken from such companies.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of inventories, fixed assets, wherever applicable and sale of goods during the year. During the course of our audit we have not observed any continuing failure to correct major weaknesses in internal controls.
5. In our opinion and according to the information and explanations given to us, there are no transactions, except reported hereinabove, made in pursuance of contracts and arrangements, entered in the register maintained u/s 301 of the Companies Act, 1956.
6. The Company has not accepted any deposits from the public during the year. Therefore the Provisions of Clause 4 (vi) of the Companies (Auditors' Report) Order, 2003 regarding the compliance of Section 58A and 58AA of the Companies Act, 1956 and the Rules framed there under are not applicable to the Comp*a*ny.
7. In or opinion the Company has an internal audit system commensurate with the size and nature of its business.
8. The Provisions of Section 203 (I) (d) of the Companies Act, 1956 regarding the maintenance of cost records are not applicable to the Company. Therefore the Provisions of Clause 4 (viii) of the companies (Auditors' Report) Order, 2003 regarding the maintenance of cost records are not applicable to the Company.
9. According to the information and explanations given to us, the Company is regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Empolyees State Insurance, Income Tax, Wealth Tax, Sales Tax, Custom Duty, Excise Duty and cess and other material statutory dues applicable to the Company.
10. The accumulated losses at the end of the financial year are more than fifty percent of its net worth and the Company has suffered cash losses in such financial year and in the financial year immediately preceding such financial year.
11. Based on our examination of documents and records, we are of the opinion that no loans or advances have been granted by the Company the basis of security by way of pledge of shares, debentures and other securities.
12. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institution during the year.
13. To the best of our knowledge and belief and according to the information and explanation given to us, no fraud on or by the Company was noticed or reported during the year.

For **B. N. KEDIA & CO.**
*Chartered Accountants*

**K. K. Kedia**
*(Partner)*
Membership No. 052461

Place : Mumbai
Date : 14th June, 2004

## BALANCE SHEET AS AT 31ST MARCH, 2004

| | Schedule No. | As at 31st March, 2004 Rupees | As at 31st March, 2003 Rupees |
|---|---|---|---|
| **SOURCES OF FUND :** | | | |
| **Share Holder's Funds** | | | |
| Share Capital - Authorised 10,00,000 Equity Share of Rs. 10 each | | 10,000,000 | 10,000,000 |
| **Issued, Subscribed & Paid up** | | | |
| 50,000 Equity Shares (P Y Rs. 50,000 of Rs. 10 each) | | 500,000 | 500,000 |
| **Loan Funds** | | | |
| Unsecured Loans | | | |
| From Holding Company | | 1,670,941,577 | 1,669,569,566 |
| TOTAL | | 1,671,441,577 | 1,670,069,566 |
| **APPLICATION OF FUNDS** | | | |
| Fixed Assets | | | |
| Grass Block | 1 | 49,855,274 | 49,855,274 |
| Less : Depreciation | | 5,244,489 | 4,730,145 |
| Net Block | | 44,610,785 | 45,125,129 |
| Capital Work In Progress | | 1,070,459,070 | 1,557,464,491 |
| | | 1,115,069,855 | 1,602,589,620 |
| **Current Assets, Loans & Advances** | | | |
| Cash & Bank Balance | 2 | 10,916,671 | 40,095 |
| Loans & Advances | 3 | 52,561,903 | 53,351,551 |
| | | 63,478,574 | 53,391,646 |
| Less : Current Liabilities & Provision | | | |
| Liabilities - Sundry Creditors | | 596,326 | 2,011,183 |
| **Net Current Assets** | | 62,882,248 | 51,380,463 |
| **Miscellaneous expenditure** (To the extent not written-off or adjusted) | | | |
| Preliminary Expenses | | 57,940 | 57,940 |
| Profit & Loss Account | | 493,431,534 | 16,041,543 |
| TOTAL | | 1,671,441,577 | 1,670,069,566 |
| Notes forming part of Account | 6 | | |

As per our report of even date

**For B. N. KEDIA & CO.**
*Chartered Accountants*

For and on behalf of the Board of Directors

**K.K. KEDIA** *Partner* | **ANIL AGARWAL** *Director* | **NAVIN AGARWAL** *Director*

Date : 14 June, 2004

## PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2004

| | Schedule | Year ended March 31, 2004 Rupees | Year ended March 31, 2003 Rupees |
|---|---|---|---|
| **INCOME** | | | |
| Unspent Liabilities written back | | 1,422,006 | – |
| | | 1,422,006 | – |
| **EXPENDITURE** | | | |
| Personel | 4 | 974,047 | 970,812 |
| Administration & General | 5 | 2,323,605 | 2,117,435 |
| Depreciation | | 514,345 | 517,803 |
| (Loss) before extra ordinary Item | | (2,389,991) | (3,606,050) |
| Add: Extra - Ordinary Item | | | |
| Impairment of fixed assets | | (475,000,000) | – |
| | | (477,389,991) | (3,606,050) |
| (Loss) b/f from last year | | (16,041,543) | (12,435,493) |
| Balance transfer to Balance Sheet | | (493,431,534) | (16,041,543) |
| Notes forming part of Account | 6 | | |

As per our report of even date

**For B. N. KEDIA & CO.**
*Chartered Accountants*

For and on behalf of the Board of Directors

**K.K. KEDIA** *Partner* | **ANIL AGARWAL** *Director* | **NAVIN AGARWAL** *Director*

Date : 14 June, 2004

## SCHEDULES FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

### SCHEDULE - 1

**FIXED ASSETS** **(Rs. in '000)**

| | GROSS BLOCK (AT COST) | | | | DEPRECIATION | | | | NET BLOCK | |
|---|---|---|---|---|---|---|---|---|---|---|
| NATURE OF FIXED ASSETS | As at 01.04.2003 | Addition | Deletion | **As at 31.03.2004** | As at 01.04.2003 | For the Year | Adjust-ment | **As at 31.03.2004** | **As on 31.03.2004** | As on 31.03.2003 |
| Lease Hold Land | 49,034,228 | – | – | **49,034,228** | 4,115,830 | 495,295 | – | **4,611,125** | **44,423,103** | 44,918,398 |
| Furniture & Fixture | 332,631 | – | – | **332,631** | 238,523 | 10,679 | – | **249,202** | **83,429** | 94,108 |
| Data Processing Equipment | 291,980 | – | – | **291,980** | 291,980 | – | – | **291,980** | **–** | – |
| Office Equipment | 196,435 | – | – | **196,435** | 83,811 | 8,371 | – | **92,182** | **104,253** | 112,624 |
| Total | 49,855,274 | – | – | **49,855,274** | 4,730,144 | 514,345 | – | **5,244,489** | **44,610,785** | 45,125,130 |
| Previous Year | 49,855,274 | – | – | **49,855,274** | 4,212,342 | 517,803 | – | **4,730,144** | **45,125,130** | 45,642,932 |

| | **Year ended 31.03.2004 Rupees** | Year ended 31.03.2003 Rupees |
|---|---|---|
| **SCHEDULE - 2** | | |
| **CASH & BANK BALANCE** | | |
| Cash in hand . | 3,210 | 4,786 |
| Balance with bank in current account | | |
| State Bank of India | 24,114 | 29,481 |
| Canara Bank, Surat | 5,828 | 5,828 |
| Cheque In hand | 10,883,519 | – |
| | **10,916,671** | **40,095** |
| **SCHEDULE - 3** | | |
| **LOANS & ADVANCES** | | |
| Balance with Central | | |
| Excise Authority | 51,705,721 | 51,705,721 |
| Sundry Deposits | 164,200 | 988,390 |
| Pre-Paid Insurance | 691,982 | 657,440 |
| | **52,561,903** | **53,351,551** |
| **SCHEDULE - 4** | | |
| **PERSONNEL EXPENSES** | | |
| Salary Wages & Bonus | 842,246 | 851,996 |
| Contribution to P. F. & Other | 58,452 | 59,283 |
| Employees Welfare & other | | |
| Amenities | 73,349 | 59,533 |
| | **974,047** | **970,812** |
| **SCHEDULE - 5** | | |
| **ADMINISTRATION & GENERAL EXP.** | | |
| Electricity charges | 88,985 | 100,108 |
| Security charges | 876,592 | 858,235 |
| Travelling & conveyance | 90,937 | 98,529 |
| Rates & taxes | – | 474,002 |
| Insurance | 1,197,522 | 507,441 |
| Audit Fees | 11,100 | 10,500 |
| General expenses | 58,469 | 68,620 |
| | **2,323,605** | **2,117,435** |

### SCHEDULE - 6

**NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2004**

1. Statement of significant Accounting Policies :
   - (i) The financial statement prepared under historical cost convention on accrual basis and in accordance with the requirements of the Companies Act, 1956. Accounting policies not stated explicitly otherwise are consistent with generally accepted accounting principals.
   - (ii) Fixed Assets are stated of cost (net of modvat) less accumulated depreciation.
   - (iii) Depreciation has been provided on fixed assets on straight line method (SLM) of the rates and in the manner specified in schedule XIV of the Companies Act. 1956. Amortisation of leasehold land has been done in proportion of the period of lease.
   - (iv) Preliminary expenses will be written off after the commencement of commercial production.
2. Actual cost incurred for plant and machinery, civil Construction etc. Liabilities and advances made to contractors/suppliers in respect of paper project at Surat have been transferred from its Holding Company, Sterlite Industries (I) Limited.
3. Additional information pursuant to the provision of paragraph 3 & 4 C of part II of Schedule VI of the Companies Act, 1956 has not be given, as the Company not commenced any business as at the end of the year.
4. In the opinion of the Management value of Capital Work in Progress, Loans & Advances are not less than the amount at which there are stated in the ordinary course of business.
5. In compliance of AS 28 on "Impairment of Assets issued by the Institute of Chartered Accountants of India, the Capital work in progress lying since the paper project was spun off into the Company, has been impaired to the extent of Rs. 475 million and the same has been adjusted to the Profit and Loss Account of the Company.
6. In accordance with the Accounting Standard 22 - "Accounting for Taxes on Income" deferred tax assets arising from timing difference, subject to consideration of prudence and their reasonable certainty of realisation in future, have not been considered and recognised during the year.
7. Details regarding Licenced/Registered and installed capacity.

| **Description** | **Licenced/Installed Capacity** | **Registered Capacity** |
|---|---|---|
| Newsprint and Printing & Writing Paper | 125,000 MT | Project not completed |

As per our report of even date

For **B.N. KEDIA & CO.**
*Chartered Accountants*
**K.K. KEDIA**
*Partner*

For and on behalf of the Board of Directors

**ANIL AGARWAL**
*Director*

**NAVIN AGARWAL**
*Director*

Place : Mumbai
Date : 14 June, 2004

## BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

**I Registration Details**

Registration No. 120542 State Code: 11

Balance Sheet Date: 31 (Date) 03 (Month) 2004 (Year)

**II Capital Raised during the period (Amount in Rs. Thousands)**

| Public Issue | Rights Issue |
|---|---|
| NIL | NIL |
| **Bonus Issue** | **Private Placement** |
| NIL | NIL |

**III Position of Mobilisation and Deployment of Funds (Amount in Rs.)**

| Total Liabilities | Total Assets |
|---|---|
| 1671442 | 1671442 |

**Source of Funds**

| Paid up Equity Share Capital | Paid Up Preference Share Capital |
|---|---|
| 500 | NIL |
| **Reserves & Surplus** | **Un Secured Loans** |
| NIL | 1670942 |

**Application of Funds**

| Net Fixed Assets | Investments |
|---|---|
| 1115070 | NIL |
| **Net Current Assets** | **Miscellaneous Expense** |
| 62882 | 58 |
| **Accumulated Losses** | |
| 493432 | |

**IV Performance of Company (Amount in Rs. Thousands)**

| Turnover | Other Income | Total Expenditure |
|---|---|---|
| NIL | 1422 | 478812 |
| **Profit before Tax** | | **Profit after tax** |
| (477390) | | (477390) |
| **Earning Per Share in Rs.** | | **Dividend Rate %** |
| NIL | | NIL |

**V Generic Names of Three Principal Products of Company**

Item Code No. (ITC Code) 4801-9009

Product Description: NEWS PRINT

Item Code No. (ITC Code) 4801-9009

Product Description: WRITING & PRINTING PAPER

For and on behalf of the Board of Directors

**ANIL AGARWAL**
*Director*

**NAVIN AGARWAL**
*Director*

Place : Mumbai
Dated : 14th June, 2004

# DIRECTORS' REPORT

To the Members,

Vedanta Alumina Limited

The Directors have pleasure in presenting the Third Annual Report together with the Audited Accounts for the year ended 31st March, 2004.

**COMMENCEMENT OF NEW BUSINESS**

As authorised by the members at the Extra ordinary General Meeting held on 13th October, 2003 the objects clause of the Company has been altered to include the business related to non ferrous metals, alloys, alumina and its process. Consequent to the change in the objects clause the Company has commenced implementation of 1 million tonne per annum alumina refinery with an associated 125 MW captive power plant in the Lanjigarh District of Orissa. A memorandum of understanding has been entered with the Government of Orissa and Orissa Mining Corporation for land for the alumina refinery, captive power plant and to establish bauxite-mining facilities at Lanjigarh, where bauxite reserves are estimated at 72 million tonnes. The refinery and power plant is expected to be commissioned by in 2006.

**CHANGE OF NAME**

In view of the change in business of the Company and to identify the Company with its parent Holding Company, the name of the Company has been changed from Sterlite Transmission Limited to Vedanta Alumina Limited after requisite approvals.

**FINANCIALS**

During the year the Company has spent Rs. 41.19 million on its Lanjigarh Alumina project, which has been transferred to Capital work-in progress.

**DIRECTORS' RESPONSIBILITY STATEMENT**

As required under Section 217 of the Companies Act, 1956, the Directors hereby confirm that :

1. In the preparation of the Annual Accounts, applicable Accounting Standards have been followed along with proper explanation relating to material departures;
2. Selected accounting policies were applied consistently. Reasonable and prudent judgment and estimates were made to give true and fair view of the state of affairs of the Company as at 31st March, 2004 and of the profit/loss for the year ended on that date.
3. Proper and sufficient care has been taken in maintaining accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
4. The Annual Accounts of the Company have been prepared on a going concern basis.

**DIRECTORS**

During the year Mr. Tarun Jain and Mr K. K. Kaura were appointed as Additional Directors of the Company and they hold office till the ensuing Annual General Meeting of the Company. Notices u/s 257 of the Companies Act, 1956 has been received from a shareholder proposing to appoint Mr Tarun Jain and Mr. K. Kaura as Directors of the Company at the ensuing Annual General Meeting.

During the year Mr. Pravin Agarwal, resigned as Director of the Company. The Directors place on record their appreciation for the services rendered by Mr. Pravin Agarwal during his tenure as Director of the Company.

Mr. Navin Agarwal, Director retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

**AUDITORS**

During the year M/s. Deloitte Haskins & Sells, Chartered Accountants were appointed as Auditors of the Company in place of the erstwhile auditors, M/s. B.N. Kedia & Co., Chartered Accountants.

**INFORMATION PURSUANT TO SECTION 217 OF THE COMPANIES ACT, 1956 :**

A. Conservation of energy technology absorption, foreign exchange earnings and outgo:

   The Company is in the process of setting up it alumina refinery project and its present operations do not involve consumption of energy of a significant level. No technology has been implemented in the project of the Company and as such no steps have been taken for absorption of technology.

   There have been no Foreign Exchange earnings by the Company. The foreign exchange used during the year is Rs.404.39 million.

B. Particulars of Employees :

   No employees of the category mentioned in the Companies (Particulars of Employees) Rules, 1975 are employed in the Company.

**ACKNOWLEDGEMENT**

Your Directors acknowledge the co-operation and assistance received from the Central and State Governments and various departments and banks. Your Directors also place on record their appreciation for the dedicated services being rendered by all the staff and workforce of the Company in the implementation of the project of the Company.

**For and on behalf of the Board of Directors**

**Navin Agarwal** *Director*    **Tarun Jain** *Director*

Place : Mumbai
Date : June 11, 2004

# AUDITORS' REPORT TO THE SHAREHOLDERS OF VEDANTA ALUMINA LIMITED (FORMERLY KNOWN AS STERLITE TRANSMISSION LIMITED)

1. We have audited the attached balance sheet of **Vedanta Alumina Limited (formerly known as Sterlite Transmission Limited)** as at March 31, 2004 and also the profit and loss account of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. As required by the Companies [Auditor's Report] Order 2003, issued by the Central Government in terms of Section 227 (4A) of the Companies Act, 1956, we give in the annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order to the extent applicable and based on such checks we considered appropriate.

4. Further to our comments in the annexure referred to above :

   a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;

   b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of the books;

   c) The balance sheet and profit and loss account dealt with by this report are in agreement with the books of account;

   d) In our opinion, the balance sheet and profit and loss account comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;

   e) On the basis of written representations received from directors, and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on March 31, 2004 from being appointed as director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;

   f) In our opinion and to the best of information and according to the explanations given to us, the accounts read with notes give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;

      (i) in the case of the balance sheet, of the state of affairs of the Company as at March 31, 2004

      and

      (ii) in the case of the profit and loss account, of the nil profit or loss for the year ended on that date.

**For Deloitte Haskins & Sells**
***Chartered Accountants***

**R. RAGHAVAN**
***Partner***
**Membership No. 9483**

Place : Mumbai
Date : June 11, 2004

# ANNEXURE TO THE AUDITORS' REPORT AS REQUIRED BY THE COMPANIES (AUDITOR'S REPORT) ORDER, 2003 OF VEDANTA ALUMINA LIMITED (FORMERLY KNOWN AS STERLITE TRANSMISSION LIMITED)

In our opinion and according to the information and explanation given to us, the nature of the Company's business/activities during the year are such that clauses (i) (c),(ii), (iii), (v), (vi), (vii), (viii), (ix) (b), (x), (xi),(xii), (xiii), (xiv), (xv), (xvi) , (xviii), (xix) and (xx) of Companies (Auditor's report) order, 2003 are not applicable to the Company.

(A) In respect of its fixed assets:

   (i) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

   (ii) The fixed assets have been physically verified by the management and no discrepancies have been observed.

(B) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of fixed assets.

(C) According to the information and explanations given to us, in respect of statutory and other dues.

   (i) The Company has been regular in depositing undisputed statutory dues, including sales-tax, cess and any other statutory dues with the appropriate authorities during the year.

(D) According to the cash flow statement and other records examined by us and on the basis of information and explanation furnished, the Company has neither raised short term or long term funds, however, funds (by way of unsecured loans) transferred to the Company relate to the acquisition of fixed assets. The terms and conditions of the unsecured loans have not been stipulated.

(E) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the company was noticed or reported during the year.

**For Deloitte Haskins & Sells**
***Chartered Accountants***

**R. RAGHAVAN**
***Partner***
**Membership No. 9483**

Place : Mumbai
Date : June 11, 2004

## BALANCE SHEET AS AT MARCH 31, 2004

Rs. in '000

| | Schedule | | 2004 | | 2003 |
|---|---|---|---|---|---|
| **SOURCES OF FUNDS** | | | | | |
| **Shareholders' funds** | | | | | |
| Capital | 1 | | **500** | | 500 |
| **Loan funds** | | | | | |
| Unsecured loans | 2 | | **1,506,952** | | – |
| **TOTAL** | | | **1,507,452** | | 500 |
| **APPLICATION OF FUNDS** | | | | | |
| **Fixed assets** | 3 | | | | |
| Gross block | | **15,738** | | – | |
| Less : depreciation | | **816** | | – | |
| Net block | | **14,922** | | – | |
| Capital work-in-progress | | **1,540,629** | **1,555,551** | 162 | 162 |
| **Current Assets, Loans and Advances** | | | | | |
| Cash and bank balances | 4 | **54,111** | | 321 | |
| Loans and advances | 5 | **28,317** | | – | |
| | | **82,428** | **82,428** | 321 | 321 |
| **Less : Current Liabilities and Provisions** | | | | | |
| Liabilities | 6 | **130,555** | | 11 | |
| | | **130,555** | **130,555** | 11 | 11 |
| **Net current liability** | | | **(48,127)** | | 310 |
| **Profit and loss account** | | | **28** | | 28 |
| **TOTAL** | | | **1,507,452** | | 500 |
| **Notes** | 9 | | | | |

**As per our report of even date**
**For Deloitte Haskins & Sells**
***Chartered Accountants***

**R. Raghavan**
***Partner***
**Membership No. 9483**

**Place : Mumbai**
**Date : June 11, 2004**

**For and on behalf of the Board of Directors**

**Navin Agarwal** *Director*
**Tarun Jain** *Director*

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2004

Rs. in '000

| | Schedule | | 2004 | 2003 |
|---|---|---|---|---|
| **EXPENDITURE** | | | | |
| Employee remuneration and benefits | 7 | **14,523** | | – |
| Administration | 8 | **25,850** | | 5 |
| Depreciation | | **816** | **41,189** | |
| Less: Expenses transferred to capital work in progress | | | **41,189** | – |
| **Profit/loss for the year** | | | **–** | 5 |
| Balance being deficit brought forward | | | **28** | 23 |
| Balance being deficit carried to the balance sheet | | | **28** | 28 |
| Loss per share - basic and diluted (Rs.) | | | **–** | (0.10) |
| **Notes** | 9 | | | |

**As per our report of even date**
**For Deloitte Haskins & Sells**
***Chartered Accountants***

**R. Raghavan**
***Partner***
**Membership No. 9483**

**Place : Mumbai**
**Date : June 11, 2004**

**For and on behalf of the Board of Directors**

**Navin Agarwal** *Director*
**Tarun Jain** *Director*

## SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2004

Rs. 000's

| | 2004 | 2003 |
|---|---|---|
| **1. CAPITAL** | | |
| **Authorised** | **10,000** | 10,000 |
| 1,000,000 (2003: 1,000,000) equity shares of Rs.10 each | | |
| | **10,000** | **10,000** |
| **Issued, subscribed and paid-up** | | |
| 50,006 (2003 : 50,006) equity shares of Rs.10 each, fully paid. (Of the above, 50,006 equity shares are held by the holding company, Sterlite Industries (India) Limited and its nominees - the ultimate holding company Vedanta Resources Plc, United Kingdom, does not hold any equity shares in the company) | **500** | 500 |
| | **500** | **500** |

Rs. 000's

| | 2004 | 2003 |
|---|---|---|
| **2. UNSECURED LOANS** | | |
| From Sterlite Industries (India) Limited - holding company | **1,506,952** | – |
| | **1,506,952** | – |

## SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2004

### 3. FIXED ASSETS

Rs. 000's

| | Gross Block - at cost | | | | Depreciation | | | Net Book Value as at | |
|---|---|---|---|---|---|---|---|---|---|
| | As at 1.4.2003 | Additions | Deductions/ Adjustments | As at 31.03.2004 | As at 1.4.2003 | For the year | upto 31.03.2004 | 31.03.2004 | 31.03.2003 |
| Land | | | | | | | | | |
| - Leasehold | – | 3,175 | – | **3,175** | – | – | – | **3,175** | – |
| Plant and machinery | – | 6,169 | – | **6,169** | – | 307 | **307** | **5,862** | – |
| Office equipment | – | 2,564 | – | **2,564** | – | 368 | **368** | **2,196** | – |
| Furniture and fittings | – | 1,247 | – | **1,247** | – | 54 | **54** | **1,193** | – |
| Vehicles | – | 2,583 | – | **2,583** | – | 87 | **87** | **2,496** | – |
| Total | – | 15,738 | – | **15,738** | – | 816 | **816** | **14,922** | – |
| Capital Work-in-Progress (includes capital advances ) | | | | | | | | **1,540,629** | |
| Previous Year | | | | | | | | **162** | |

Note : 1) Documents for leasehold land are yet to be transferred in the name of the Company

2) Land leasehold is for 90 years

Rs. 000's

| | | 2004 | 2003 |
|---|---|---|---|
| **4. CASH AND BANK BALANCES** | | | |
| Cash on hand | | **134** | – |
| Cash in transit | | **1,803** | – |
| Balance with scheduled banks in : | | | |
| Current account | **51,874** | | 321 |
| Deposit account | **300** | **52,174** | – |
| | | **54,111** | **321** |
| **5. LOANS AND ADVANCES** | | | |
| (Unsecured, considered good) | | | |
| Advances recoverable in cash or in kind or for value to be received | | **28,204** | – |
| Deposits | | **113** | – |
| | | **28,317** | – |
| **6. LIABILITIES** | | | |
| Sundry creditors - Small scale industrial units | **–** | | |
| - Others | **590** | | |
| Security and other deposits | **5,077** | | |
| Other liabilities | **124,888** | **130,555** | 11 |
| | | **130,555** | **11** |
| **7. EMPLOYEES REMUNERATION AND BENEFITS** | | | |
| Salaries and wages | **11,794** | | |
| Welfare expenses | **2,729** | **14,523** | – |
| | | **14,523** | – |
| **8. ADMINISTRATION** | | | |
| Power and fuel | 127 | | – |
| Rent | 104 | | – |
| Insurance | 132 | | – |
| Legal expenses | 413 | | – |
| Repairs - others | 38 | | – |
| Travelling | 10,892 | | – |
| Entertainment | 34 | | – |
| Audit fees | 216 | | 5 |
| Bank charges | 189 | | – |
| Advertisement | 1,954 | | – |
| Books and periodicals | 7 | | – |
| Communication expenses | 674 | | – |
| Community development | 1,404 | | – |
| DG set hire | 59 | | – |
| Donations | 145 | | – |
| Foundation stone ceremony | 1,095 | | – |
| Guest house expenses | 696 | | – |
| EDP expenses | 107 | | – |
| Office expenses | 364 | | – |
| Security expenses | 397 | | – |
| Seminar and Training | 52 | | – |
| Consultancy | 6,711 | | – |
| Miscelleanous | 40 | 25,850 | – |
| | | **25,850** | **5** |

### 9. NOTES

#### A. SIGNIFICANT ACCOUNTING POLICIES

**Basis of accounting**

The financial statements are prepared under the historical cost convention in accordance with the applicable accounting standards and provisions of the Companies Act, 1956.

**Fixed assets**

Fixed assets are capitalised at cost of acquisition/construction (net of excise duty).

All expenses incurred prior to commencement of manufacturing operations are considered as capital work in progress for capitalisation on commissioning of the assets.

**Depreciation**

Depreciation on fixed assets is provided on straight line method at rates specified in Schedule XIV to the Companies Act, 1956 except in the following cases where the rates of depreciation are higher :-

Office equipments/Air Conditioners, Furniture and Electrical Appliances are depreciated @ 20%. Personal computer is depreciated @ 33.33%.

**Foreign currency transactions**

Foreign currency transactions are accounted at the exchange rates prevailing at the date of the transaction. Gains and losses resulting form the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account. Exchange differences relating to fixed assets are adjusted in the cost of the asset.

**Borrowing cost**

Borrowing costs incurred or reimbursed attributable to the acquisition or construction of qualifying assets are capitalised.

#### B. NOTES

1) The Company has changed its name to 'Vedanta Alumina Limited' effective January 20, 2004.

2) During the year, Sterlite Industries (India) Limited, the holding Company has transferred the proposed aluminium refinery project to the Company. Accordingly, all sanctions, approvals, contracts, documents and pre-operational expenses relating to the project have been recognised as capital work-in-progress.

3) Capital work-in-progress includes interest Rs 7,000 thousand (2003: Rs. nil) and exchange gain (net) Rs. 15,472 thousand (2003: Rs. nil)

4) Estimated amount of contracts remaining to be executed on capital account not provided for Rs. 9,641,488 thousand (2003: Rs.nil )

5) Expenditure in foreign currency: (Rs.in 000's)

| | 2004 | 2003 |
|---|---|---|
| Technical know how and consultancy | **Rs. 402,917** | Rs. nil |
| Bauxite testing | **Rs. 1,478** | Rs. nil |

6) Since the Company has not commenced any commercial activity, the information required in paras 4, 4A and 4C of Part II of Schedule VI of the Companies Act, 1956 are not applicable.

7) Loss per share: (Rs.in 000's)

| | 2004 | 2003 |
|---|---|---|
| Net loss | – | (5) |
| Number of shares | 50 | 50 |
| Basic/diluted loss per share (Rs.) | – | (0.1) |

8) Vedanta Resources Plc., United Kingdom, the ultimate holding Company is listed on the London Stock Exchange and for the compliance with the United Kingdom regulations, the consolidated financial statements of Vedanta Resources Plc include the restated financial statements of the Company, as per generally accepted accounting principles of United Kingdom, (UK GAAP).

9) Previous year's figures have been regrouped and rearranged, wherever necessary.

Signatories to Schedules 1 to 9 annexed to and forming part of accounts.

**As per our report of even date**
**For Deloitte Haskins & Sells**
***Chartered Accountants***

**R. Raghavan**
*Partner*
**Membership No. 9483**

Place : Mumbai
Date : June 11, 2004

**For and on behalf of the Board of Directors**

**Navin Agarwal** *Director* **Tarun Jain** *Director*

## CASH FLOW STATEMENT

| | | Rs. 000's March 31, 2004 |
|---|---|---|
| **A** | **Cash Flow from operating Activities** | |
| | Miscellaneous Expenditure capitalised | 162 |
| | **Net Cash from/(used for) Operating Activities** | 162 |
| **B.** | **Cash Flow from Investing Activities** | |
| | Purchase of Fixed Assets/CWIP | (1,555,552) |
| | Sale of Fixed Assets | – |
| | Purchase/Sale of Current Investments (Net) | – |
| | Interest received | – |
| | **Net Cash from/(used for) Investing Activities** | (1,555,552) |
| **C.** | **Cash Flow from Financing Activities** | |
| | Proceeds from Long Term Borrowings | – |
| | Repayment of Long Term Borrowings | – |
| | Working Capital facilities (net) | 102,228 |
| | Proceeds from Short Term Borrowings | 1,506,952 |
| | Repayment of Short Term Borrowings | – |
| | Interest paid | – |
| | Foreign Exchange Gain/Loss | – |
| | **Net Cash from/(used in) Financing Activities** | 1,609,180 |
| | **Net Increase/(Decrease) in cash and cash equivalent** | 53,790 |

| | | Rs. 000's March 31, 2004 |
|---|---|---|
| **D.** | **Cash and Cash Equivalents** | |
| | Closing Balance | 54,111 |
| | Opening Balance | 321 |
| | | 53,790 |

**As per our report of even date**
**For Deloitte Haskins & Sells**
***Chartered Accountants***

**R. Raghavan**
*Partner*
**Membership No. 9483**

Place : Mumbai
Date : June 11, 2004

**For and on behalf of the Board of Directors**

**Navin Agarwal** *Director* **Tarun Jain** *Director*



## BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

**I. Registration Details**

Registration No. 130494 State Code: 11

Balance Sheet Date: 31 03 2004 (Date Month Year)

**II. Capital Raised during the year (Amount in Rs. Thousands)**

| Public Issue | Rights Issue |
|---|---|
| NIL | NIL |
| **Bonus Issue** | **Private Placement** |
| NIL | NIL |

**III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)**

| Total Liabilities | Total Assets |
|---|---|
| 163807 | 163807 |

**Source of Funds**

| Paid up Equity Capital | Reserves & Surplus |
|---|---|
| 500 | NIL |
| **Secured Loans** | **Unsecured Loans** |
| NIL | 1507452 |

**Application of Funds**

| Net Fixed Assets | Investments |
|---|---|
| 14922 | NIL |
| **Net Current Liability** | **Miscellaneous Expenditure** |
| 48127 | NIL |

**IV. Performance of Company (Amount in Rs.Thousands)**

| Turnover | Total Expenditure |
|---|---|
| NIL | 41189 |
| **Profit/Loss Before Tax** | **Profit/Loss After Tax** |
| NIL | NIL |
| **Earning Per Share in Rs.** | **Dividend Rate %** |
| NIL | NIL |

**V. Generic Names of Principal Products/Services of Company (As per monetary terms)**

Item Code No. (ITC Code) 2818.20

Product Description: CALCINED ALUMINA

For and on behalf of the Board of Directors

**Navin Agarwal** *Director* **Tarun Jain** *Director*

Place : Mumbai
Date : June 11, 2004

## DIRECTORS' REPORT

The Members,

The Directors present the First Financial results for the financial year ended March 31, 2004.

| **Financial Performance** | **Period ended March 31, 2004 (Rs.)** |
|---|---|
| Loss during the year | (14800) |
| Balance carried forward | (14800) |

(The Company was incorporated on 13th January, 2003 and the accounts are for the period 13th January, 2003 to 31st March, 2004 and hence comparable figures for the previous period are not available)

**Dividend**

In absence of profits, your Directors do not recommend any dividend for the year ended March 31, 2004.

**Scheme of Arrangement**

A Scheme of Arrangement was proposed between Sterlite Industries (India) Limited (transferor company) and Sterlite Copper Limited (SCL) (transferee company) for transfer of assets and liabilities and all related investments of the holding company in favour of Sterlite Copper Limited. The transferor company withdrew the Scheme of Arrangement due to changes in market conditions and various representations from its shareholders and a petition was filed in the High Court of judicature, Bombay for withdrawal of the Scheme.

In accordance to the above your Company filed a petition in the High Court, Chennai and the Scheme was withdrawn.

The Company did not have any operations and there was a loss of Rs.14800 during the financial year, due to overhead and fixed costs.

**Directors' Responsibility Statement**

**As required under Section 217(2AA) of the Companies Act, the Directors hereby confirm that :**

(i) in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;

(ii) such accounting policies have been selected and applied consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the loss of the Company for that period;

(iii) proper and sufficient care for the maintenance of adequate accounting records had been taken in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

(iv) the accounts are prepared on a going concern basis.

**Employees**

The Company had no employees getting salary in excess of the limits specified in Section 217(2A) of the Companies Act, 1956.

**Particulars of Energy Conservation, Technology Absorption and Foreign Exchange Earning and Outgo**

The information required to be given pursuant to Section 217 (1)(e) of the Companies Act, 1956 is not given, as the same is not applicable.

**Directors**

Mr. Navin Agarwal, Director of the Company retires by rotation at the ensuing Annual General Meeting and being eligible, offer himself for re-appointment.

**Auditors**

M/s B.N. Kedia & Co., Chartered Accountants, auditors of your Company, retire at the ensuing Annual General meeting and being eligible, offer themselves for re-appointment.

**For and on behalf of the Board of Directors**

**Anil Agarwal** *Director* — **Navin Agarwal** *Director*

Place : Mumbai
Date : 14.06.2004

## AUDITORS' REPORT

To The Members of STERLITE COPPER LTD.

1. We have audited the attached Balance Sheet of **Sterlite Copper Ltd.** as at 31st March, 2004 and also the Profit & Loss Account for the period ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material mis-statement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in the paragraphs 4 & 5 of the said order.
4. Further to our comments in the Annexure referred to in paragraph 3 above:
   a. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
   b. In our opinion, proper books of account as required by the law has been kept by the Company so far as it appears from our examination of the books.
   c. The Balance Sheet and Profit & Loss Account dealt with by this report are in agreement with the books of account;
   d. In our opinion the Balance Sheet and Profit & Loss Account comply with the Accounting Standards referred to in sub-section (3-C) of section 211 of the Companies Act, 1956;
   e. On the basis of written representations received from the Directors, as on 31st March, 2004 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2004 from being appointed as a Director in terms of clause (g) of sub clause (1) of Section 274 of the Companies Act, 1956;
   f. In our opinion, and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required give a true and fair view in conformity with the accounting principles generally accepted in India:
      i. In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2004; and
      ii. In the case of Profit & Loss Account, of the loss for the period ended on that date.

For **B. N. KEDIA & CO.**
*Chartered Accountants*

Place : Mumbai
Date : 14.06.2004

K. K. KEDIA
*(Partner)*
Membership No. 052461

## ANNEXURE TO AUDITORS' REPORT

**ANNEXURE REFERRED TO IN PARAGRAPH 3, OF THE AUDITORS' REPORT TO THE MEMBERS OF STERLITE COPPER LIMITED ON THE ACCOUNTS FOR THE PERIOD ENDED 31ST MARCH, 2004.**

1. In our opinion and according to information and explanations given to us, the nature of the Company's business/activities during the year are such that clauses (i) (ii) (iii) (iv) (v) (vi) (vii) (viii) (ix) (x) (xi) (xii) (xiii) (xiv) (xv) (xvi) (xvii) (xviii) (xix) (xx) of the Companies (Auditors' Report) Order, 2003 are not applicable to the Company.
2. To the best of our knowledge and belief and according to information and explanations given to us, no fraud on or by the company was noticed or reported during the year under report.

For **B. N. KEDIA & CO.**
*Chartered Accountants*

Place : Mumbai
Date : 14.06.2004

K. K. KEDIA
*(Partner)*

## BALANCE SHEET AS AT 31 MARCH, 2004

| | As at 31st March, 2004 |
|---|---|
| **SOURCES OF FUNDS** | |
| **Share Holders Funds** | |
| Share Capital | |
| **Authorised** | |
| 100000 Equity shares of Rs. 5 each | 500,000 |
| **Issued Subscribed and paid up** | |
| 100000 Equity shares of Rs. 5 each fully paid up | 500,000 |
| **Total** | 500,000 |
| **APPLICATION OF FUNDS** | |
| **Current Assets, Loan & Advances** | |
| Bank Balance with scheduled Bank in Current Account | 499,800 |
| | 499,800 |
| **Less Current Liabilities & Provisions** | |
| Liabilities - Sundry Creditors | |
| Outstanding Expenses | 30,820 |
| Audit Fees Payable | 10,800 |
| | 41,620 |
| **Net Current Assets** | 458,180 |
| **Miscellaneous Expenditure** | |
| (to the extent not written off/adjusted) | |
| Preliminary Expenses | 27,020 |
| Profit & Loss Account | 14,800 |
| **Total** | 500,000 |

Notes forming part of Accounts Schedule1

As per our report of even date annexed
**For B. N. KEDIA & CO.** For and on behalf of the Board
*Chartered Accountants*

| **K.K.KEDIA** | **ANIL AGARWAL** | **NAVIN AGARWAL** |
|---|---|---|
| *Partner* | *Director* | *Director* |

Place : Mumbai
Date : 14.06.2004

## PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH, 2004

| | Period ended 31st March, 2004 |
|---|---|
| **INCOME** | Nil |
| Total | Nil |
| **EXPENDITURE** | |
| Audit Fees | 10,800 |
| Bank Charges | 200 |
| Filing & Registration Fees | 24,100 |
| Printing & Stationery | 6,500 |
| Misc. Expenses | 220 |
| **Total** | 41,820 |
| Less : Transferred to Preliminary Expenses | 27,020 |
| Transferred to Balance Sheet | 14.800 |

Notes forming part of Accounts Schedule1

As per our report of even date annexed
**For B. N. KEDIA & CO.** For and on behalf of the Board
*Chartered Accountants*

| **K.K.KEDIA** | **ANIL AGARWAL** | **NAVIN AGARWAL** |
|---|---|---|
| *Partner* | *Director* | *Director* |

Place : Mumbai
Date : 14.06.2004

**NOTES FORMING PART OF THE ACCOUNTS FOR THE PERIOD ENDED 31ST MARCH, 2004**

**SCHEDULE 1**

1. Statement of Significant Accounting Policies:

   Basis of Accounting :

   The Financial Statements are prepared as a going concern under historical cost convention and on an accrual basis and in accordance with the requirements of the Companies Act, 1956.

2. Since the Company has not commenced any business, the information required in para 3 & 4 & 4 D Part II of Schedule VI of the Companies Act, 1956 are not applicable and hence not given.

3. The Company was incorporated on 13th January, 2003 and hence the accounts are for the period 13th January, 2003 to 31st March, 2004 and accordingly, comparable figures for the previous period are not available.

As per our report of even date annexed
**For B. N. KEDIA & CO.** For and on behalf of the Board
*Chartered Accountants*

| **K.K.KEDIA** | **ANIL AGARWAL** | **NAVIN AGARWAL** |
|---|---|---|
| *Partner* | *Director* | *Director* |

Place : Mumbai
Date : 14.06.2004

# BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

**I. Registration Details**

| | |
|---|---|
| Registration No. | 05063 |
| State Code | 18 |
| Balance Sheet Date (Date / Month / Year) | 31 / 03 / 2004 |

**II. Capital Raised during the year (Amount in Rs. Thousands)**

| | |
|---|---|
| Public Issue | NIL |
| Rights Issue | NIL |
| Bonus Issue | NIL |
| Private Placement/(ESOP) | NIL |

**III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)**

| | |
|---|---|
| Total Liabilities | 500 |
| Total Assets | 500 |

**Source of Funds**

| | |
|---|---|
| Paid up Equity Share Capital | 500 |
| Paid Up Preference Share Capital | NIL |
| Reserves & Surplus | NIL |
| Secured Loans | NIL |
| Unsecured Loans | NIL |

**Application of Funds**

| | |
|---|---|
| Net Fixed Assets | NIL |
| Investments | NIL |
| Net Current Assets | 458 |
| Miscellaneous Expense | 27 |
| Accumulated Losses | 15 |

**IV. Performance of Company (Amount in Rs.Thousands)**

| | |
|---|---|
| Turnover | NIL |
| Other Income | NIL |
| Total Expenditure | 42 |
| Profit before Tax | (15) |
| Profit after tax | (15) |
| Earning Per Share in Rs. | NIL |
| Dividend Rate % | NIL |

**V. Generic Names of Three Principal Products of Company**

| | |
|---|---|
| Item Code No. (ITC Code) | 7408 11 |
| Product Description | CONTINUOUS CAST COPPER RODS |
| Item Code No. (ITC Code) | 7403 11 |
| Product Description | COPPER CATHODE |
| Item Code No. (ITC Code) | |
| Product Description | |

For and on behalf of the Board

**ANIL AGARWAL**
*Director*

**NAVIN AGARWAL**
*Director*

Place : Mumbai
Dated: June 14, 2004